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GOVERNMENT CONTROL OF THE SUGAR  
INDUSTRY IN THE UNITED STATES



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# GOVERNMENT CONTROL OF THE SUGAR INDUSTRY IN THE UNITED STATES

AN ACCOUNT OF THE WORK OF THE UNITED STATES  
FOOD ADMINISTRATION AND THE UNITED  
STATES SUGAR EQUALIZATION BOARD, INC.

BY

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## INTRODUCTION

THE distortions in the world's sugar industry and trade,<sup>1</sup> consequent upon the upheaval of the Great War, affected the United States almost as seriously as it did the European belligerents. The problem of procuring adequate sugar supplies for the United States and stabilizing the price of this peculiarly indispensable commodity, which "has grown during the last one hundred years into our culinary and dietetic life to act as a sort of binding material on which our cuisine so largely revolves,"<sup>2</sup> became acute shortly after the United States entered the world conflict. The formation of a public commission to attempt solution of this problem was foreshadowed by Herbert C. Hoover a year before the severe logic of sheer economic pressure compelled the actual creation of such a body. Appearing before the Senate Committee on Agriculture and Forestry on June 19, 1917, to testify in behalf of the then pending Food Control Bill (S. 2463), Mr. Hoover made the following statement:

"At the present moment our sugar refiners are competing with the allied sugar commission for the purchase of Cuban sugar. It must be patent that if we create a sugar commission and if that sugar commission coöperates with the Allies and the Cuban producers to take over the Cuban crop at the fixed price, that we can effect a considerable saving on the present inflated price of raw sugar, and we can stabilize the price of sugar throughout the whole of next year, because the sugar commission should be able to impose upon the refiners the necessity to pass

<sup>1</sup> See Appendix, Exhibits 27, 28, and 29, for statistics of world production, imports and exports of sugar.

<sup>2</sup> From Mr. Hoover's statement in the Hearing before the Subcommittee of the Committee on Manufactures, U. S. Senate, Jan. 2, 1918 (p. 577).

the savings made on raw sugar through to the consumers. As there would be a dominating amount of imported raw sugar, it should be possible to maintain a stable price throughout the next year; there would thus be no incentive to speculation, and the savings to the public on its sugar should reasonably amount to 20 to 25 per cent.

"There can be no loss in such an operation, because one half of the American sugar supply would be in the hands of the Sugar Commission, and the Sugar Commission should be able to make a price to cover the whole of its outlay. In this matter, like that of wheat, we require a certain margin of cash with which to provide for bank credits. . . .

"In order to carry out such operation as this we must have the operation of section 3 in the bill for voluntary agreements; we must have section 5, by which we can impose a license on refiners and elevators in such a manner that they play their part in this teamwork; we must have the use of section 9, giving the power to buy and sell, and section 19, to finance the trade."

Congress did not see fit, however, to comply with all of Mr. Hoover's recommendations and the Food Control Act, as finally enacted, did not give the Food Administration the authority to fix sugar prices directly or to make purchases of raw sugar, as had been done abroad. Consequently it was necessary to depend on the voluntary coöperation of the various branches of the sugar trade. A Sugar Division, under the efficient direction of Mr. George M. Rolph, was created within the Food Administration, and the entire sugar industry was mobilized to meet the impending war exigencies. Agreements were effected with the domestic beet-sugar producers, the Louisiana cane-sugar producers, and the cane-sugar refiners, relative to the prices and distribution of 1917-18 crops, and the entire Cuban crop of that year was purchased by the International Sugar Committee, which acted in behalf of the United States and the Allied Governments. This first period of Government control of the industry continued to July 1, 1918.

Early in 1918, it became apparent that the problems relating to sugar could no longer be effectively solved through these separate voluntary agreements with the



different branches of the trade and through the existing executive machinery of the Food Administration. For there were two sets of problems facing the Food Administration in 1918, the first concerned with the proper prices for the 1918-19 crops in the various sources of supply, the second concerned with supply and distribution. In its attempt to solve these problems, the Food Administration was ultimately forced to create the United States Sugar Equalization Board, a commission such as Mr. Hoover had described before the Senate Committee on Agriculture and Forestry, in June, 1917.

The entire plan of control by the Sugar Board had been predicated upon the continuance of the war with the Central Powers. In regard to its probable duration, the attitude of the American people at the time when the Sugar Board began to function fully, that is in the fall of 1918, is perhaps best expressed in the following quotation from Mr. Hoover's statement of Sept. 20, 1918.

"There is no prospect of a proper ending of the war before the campaign of the summer of 1919. To attain victory we must place in France three-and-a-half million fighting men, with the greatest mechanical equipment that has ever been given to any army. While we expect the position of the Western front may be improved, from a military point of view, between now and then, there can be no hope for a consummation of the end that we must secure, until another year has gone by.

"If we are to accomplish this end in 1919 we will save a million American lives that will be expended if we have to continue until 1920."

If in the summer of 1918 or in the early fall, there had been any evidence that the collapse of the Central Powers was imminent, the Sugar Board would perhaps never have been created or would probably have been dissolved shortly after creation; but with the prolongation of the war for at least another year generally assumed, the Board entered into various contracts both with domestic and foreign producers to insure adequate

supplies for the year 1919 and assumed control of the intricate scheme of "certificate" distribution, which had been organized by the Food Administration previously. Consequently, the abrupt termination of the war found the United States Sugar Equalization Board bound by several contracts, for the execution of which a continuance of the corporation was essential during 1919.

Convenient alike to the writer seeking facility of arrangement and to the reader desiring clarity of exposition, the Board's labors can best be described in two divisions, the war work and the reconstruction work. Inasmuch, however, as its activities were pyramided on the rather substantial base erected previously by the Sugar Division of the Food Administration, a brief account of this earlier period of Government control of the sugar industry must of necessity be prefixed to a history of the United States Sugar Equalization Board. Such a resumé is presented in the first chapter.

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NEW YORK CITY.  
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PART I  
THE WAR PERIOD



## CHAPTER I

### THE "MOBILIZATION" OF THE SUGAR INDUSTRY BY THE SUGAR DIVISION OF THE FOOD ADMINISTRATION

IN reviewing the activities of the Food Administration in its control of the sugar industry, it is important to bear in mind that the primary problem was not one of sugar but of shipping tonnage. There would have been in all probability a sufficient supply of sugar for all the Allies throughout the war, had ships been available to bring sugar from distant sources of supply. To what extent the sugar requirements of three of the Allies, the United States, Canada, and the United Kingdom, had been met by imports in prewar years is demonstrated in the following table:

#### IMPORTS AND CONSUMPTION OF THE UNITED STATES, THE UNITED KINGDOM, AND CANADA<sup>1</sup>

(Quantities in Short Tons)

| COUNTRY             | PREWAR<br>AVERAGE ANNUAL<br>CONSUMPTION | PREWAR<br>AVERAGE ANNUAL<br>NET IMPORTS | PREWAR<br>AVERAGE ANNUAL<br>DOMESTIC<br>PRODUCTION |
|---------------------|---|---|--|
| United Kingdom . .  | 2,057,000                               | 2,031,000                               | Negligible   |
| United States . . . | 3,798,000                               | 2,916,000                               | 875,000  |
| Canada . . . . .    | 289,000                                 | 276,000                                 | 13,000   |
| Total . . . . .     | 6,144,000                               | 5,223,000                               | 888,000  |

<sup>1</sup> Since the figures given in this book are nearly all taken from the files of the Food Administration and the Sugar Board, no references will be given for individual tables.

Thus out of a total annual requirement for these three countries combined of 6,144,000 tons, 5,223,000 tons, or 85 per cent, were transported in ships. In face of the scarcity of shipping brought about by the war, the utilization of this much tonnage for a purpose not directly for military ends was, in itself, a problem of considerable magnitude. Although sugar was recognized as an essential food and the curtailment of its use in the household deemed undesirable,<sup>1</sup> there were so-called non-essential uses of the commodity which, under pressure of war conditions, could be dispensed with, particularly in countries like the United States and the United Kingdom, where the per capita consumptions, 83 pounds and 91 pounds per annum respectively, were far beyond the usages of most other countries of the civilized world.

It is evident, therefore, that had there been no other problem than the mere ocean transportation of this five and a quarter millions of tons of sugar per annum, the necessity would have been obvious for diverting to military ends as large a portion of this tonnage as could be dispensed with without detriment to the physical welfare of the population. The problem was intensified, however, through the position of the United Kingdom, which country had obtained the largest proportion of its supplies before the war from the countries with which she was then in a death grapple. The following table shows to what degree the United Kingdom was dependent upon the Central Powers for her sugar supply.

It can be seen that 54 per cent of the prewar sugar supply of the United Kingdom came from the Central Powers, and furthermore, that Belgium and France, whose beet fields were soon devastated by the German armies, furnished together about 6 per cent of the total. Thus 60 per cent of the total became inaccessible to the United Kingdom immediately upon

<sup>1</sup> See Appendix, Exhibit 18, for memorandum regarding importance of sugar as a food (page 230).



## PREWAR SUGAR SUPPLY OF THE UNITED KINGDOM

| SOURCE OF SUPPLY                       | PREWAR AVERAGE<br>ANNUAL AMOUNT<br>OBTAINED FROM<br>EACH SOURCE<br>(SHORT TONS) | PER CENT OF<br>TOTAL SUPPLIED<br>BY EACH SOURCE |
|--|---|---|
| Germany . . . . .                      | 783,171   | 38.55   |
| Austria-Hungary . . . . .              | 319,671   | 15.73   |
| Netherlands . . . . .                  | 191,673   | 9.43  |
| Java . . . . .                         | 123,400   | 6.07  |
| Cuba . . . . .                         | 142,329   | 7.01  |
| Brazil . . . . .                       | 29,205  | 1.44  |
| Peru . . . . .                         | 45,404  | 2.24  |
| British West Indies . . . . .          | 39,253  | 1.93  |
| British Guiana . . . . .               | 24,139  | 1.19  |
| Mauritius . . . . .                    | 37,034  | 1.82  |
| Haiti and Dominican Republic . . . . . | 40,464  | 1.99  |
| Belgium . . . . .                      | 77,936  | 3.84  |
| France . . . . .                       | 43,642  | 2.15  |
| United States . . . . .                | 23,167  | 1.14  |
| All other countries . . . . .          | 111,156   | 5.47  |
| Total . . . . .                        | 2,031,624   | 100.00  |

the outbreak of the war. To make matters worse, the Netherlands, which had provided 9.4 per cent of the total prewar aggregate, was soon out of the question as a source. Accordingly, practically 70 per cent of the normal sugar supply of the United Kingdom was thus completely wiped out of existence and there was no recourse except to far-away markets such as Java and Cuba, the only countries that had an exportable surplus approaching the large requirements of the United Kingdom. The utilization of Java as a source of supply was found to be a great drain on tonnage. It took approximately 150 days for a cargo ship proceeding at a speed of 200 miles a day to go from England to Java and return, inclusive of loading and discharging time at both terminals, while on the other hand, the trip from England to New York or Cuba consumed only about fifty days. It was inevitable that as the period

of the war lengthened, the United Kingdom should turn in an increasing degree to Cuba for raw sugar and to the United States for refining capacity.

A condition, different in primary causes, but identical in effect, developed in the case of France and Italy. That part of France which was devastated by the Germans and bitterly fought over many times during the war, was the center of the French beet sugar industry. The sugar production of France dropped from a prewar average of 752,542 short tons to 202,415 short tons in the crop year of 1916-17, a decrease of over one-half a million tons. The withdrawal of labor from the fields and factories owing to the exigencies of Italy's military problems brought about a decline there from a prewar average production of 211,050 tons to 156,800 tons in the crop year of 1916-17. Both France and Italy could turn mainly to but two sources of supply, the United States and Cuba, since ships were not available to be sent to more distant sources.

In direct response to this increasing demand, the combined production of Cuba and the United States mounted from a prewar annual average of 4,441,581 short tons to 5,587,476 short tons in the crop year of 1916-17. The following table shows the changes in sugar production for Cuba and the United States, including the non-contiguous territories, Porto Rico and Hawaii:

|                      | AVERAGE<br>ANNUAL PREWAR<br>PRODUCTION | 1915-16   | 1916-17   |
|----------------------|--|-----------|-----------|
|                      | (Short tons)                           |           |           |
| United States        |  |           |           |
| Louisiana cane . . . | 302,647                                | 137,500   | 303,900   |
| Beet sugar . . . .   | 607,672                                | 874,220   | 820,657   |
| Hawaii . . . . .     | 569,424                                | 646,000   | 592,763   |
| Porto Rico . . . .   | 365,838                                | 346,490   | 483,590   |
| Cuba . . . . .       | 2,596,000                              | 2,967,427 | 3,386,566 |
| Total . . . . .      | 4,441,581                              | 4,971,637 | 5,587,476 |



Cuba's production, it will be noted, increased almost phenomenally in the period under consideration, while significant increases were attained by the other localities, with the exception of Louisiana. Unfortunately this increased production was offset by higher consumption in the United States<sup>1</sup> which attained a level in 1917 that exceeded the prewar average by about 300,000 tons, so that the net surplus available for Europe was only 800,000 tons above the prewar average. But England in the prewar period had obtained annually about 1,100,000 tons from the Central Powers alone, apart from the 300,000 tons from Belgium, France, and the Netherlands, so that the increased production of the United States and Cuba was only partially compensatory for the deficit of the United Kingdom alone. In addition, it must not be forgotten that France and Italy also required sugar from the Western Hemisphere. Thus the Allies were confronted with this dilemma, either to use valuable shipping tonnage to bring sugar from far-away places such as Java or further to reduce consumption in all allied countries through drastic rationing of both the sugar-using industries and the housewives. Up to the time when the United States entered the World War, the efforts of the Allied Governments to meet the above problems had not been sufficiently successful to prevent a demand upon the Western Hemisphere in excess of the supply. As a normal sequence of the competitive bidding for the inadequate Cuban supplies by the refineries of the United States and the British Royal Commission on the Sugar Supply, which body was acting

<sup>1</sup> The figures by years are as follows:

| YEAR                       | U. S. CONSUMPTION |
|----------------------------|-------------------|
|                            | (Short tons)      |
| Prewar average for 1909-13 | 3,798,000         |
| 1914                       | 4,212,000         |
| 1915                       | 4,258,000         |
| 1916                       | 4,098,000         |
| 1917                       | 4,122,000         |

on behalf of Great Britain, France, and Italy, the price for Cuban centrifugals was bound to advance rapidly.

There were two important circumstances in 1917 which materially hastened this rise in price; the first was the insurrection in Cuba, which caused a material reduction in the crop and reduced the anticipated supplies for the United States in proportion; the second was the agitation in Congress for the repeal of the "drawback" on sugar, which caused foreign buyers to purchase more heavily in Cuba, in anticipation of a probable price increase. Thus the duty-paid, net cash price for 96° raw centrifugal sugar at New York increased steadily, with hardly a drop, from \$5.89 per hundred pounds on June 1, 1917 to \$7.52 per hundred pounds on August 7, 1917. A comparison with other years shows the relative rapidity of this increase for these few months of 1917:

TABLE SHOWING CHANGES IN PRICE OF RAW SUGAR FOR THE YEARS 1913 THROUGH 1917, FROM JUNE 1 TO AUGUST 7

(Prices in cents per pound, duty-paid at New York)

|                | 1913 | 1914 | 1915 | 1916 | 1917 |
|----------------|------|------|------|------|------|
| June 1 . . . . | 3.33 | 3.38 | 4.95 | 6.33 | 5.89 |
| July 1 . . . . | 3.48 | 3.32 | 4.95 | 6.40 | 6.52 |
| Aug. 1 . . . . | 3.65 | 3.45 | 4.64 | 6.21 | 7.02 |
| Aug. 7 . . . . | 3.73 | 4.26 | 4.39 | 5.75 | 7.52 |

The impact of the above noted factors upon the relation between supplies and requirements for the year was no less striking than the effect on prices. The demand was artificially augmented during the first half of the year, so that the deliveries for consumption from the refineries, beet-sugar factories, and Louisiana plantations were greater than any previous half year, being (according to Willett & Gray's figures) 2,366,542 long

tons as against 2,137,733 tons in the first half of 1916, an increase of 10.7 per cent. By the middle of the year it became obvious that unless there was to be a distinct slackening in the demand, a severe shortage was impending, particularly in the Eastern States, where no new crop sugars could be available before the end of the year.

From the foregoing, it becomes evident that there were six distinct problems relative to sugar facing the United States Food Administrator upon his assuming office on August 10, 1917. First of all, it was imperative to reduce the quickly mounting price of an essential food commodity in order to prevent hardships on those sections of the community not able to bear them. Secondly, there was the immediate problem of alleviating the temporary sugar shortage, which, according to all statistical evidence, was bound to take place in the Eastern States in the last quarter of the year. Thirdly, some form of coöperation with the Allies was imperative so that there would be no further competition among them in securing sugar supplies. The soaring prices which must of necessity rule if the law of supply and demand were to be allowed full play would thus be eliminated. Such coöperation was also requisite, for the duration of the war, to conserve tonnage. Fourthly, it was essential to obtain the coöperation of the various branches of the sugar trade in building up centralized machinery for sugar distribution and to create a general mobilization of the industry for war purposes. Fifthly, there was the problem of stimulating production so that the progressively increasing demands of the Allies and the United States could be met. Finally, pending the successful outcome of action taken, aiming at increased production, consumption had to be curtailed somehow. A review of the manner in which the Food Administrator attacked these problems will be instructive.

*The Price Problem*

The Food Control Act went into effect on August 10, 1917, and Mr. Herbert Hoover was appointed Food Administrator on that date. He had already been working on various food problems since May 19, on which date he had been appointed by the President to act as temporary food administrator. On August 15, Mr. Hoover appointed Mr. George M. Rolph chief of the Sugar Division of the United States Food Administration. The first step in the campaign to reduce sugar prices was the suspension of all trading in sugar futures on the New York Coffee and Sugar Exchange. The second step was the extension of the export control of the War Trade Board to include sugar, so that the sugar export-trade with all but allied countries was discontinued. The Food Control Bill contained no provision for price fixing of sugar and this fact, of course, made the price problem doubly difficult to solve. It was necessary to depend upon voluntary coöperation by way of patriotic appeal to the various branches of the trade; the cane-sugar producers of Louisiana, the sugar-beet farmers, the beet-sugar manufacturers, the Hawaiian and the Porto Rican producers, the cane refiners, and the Cuban producers.

The question then arose as to the legality of voluntary agreements with the various producers, which might be construed as "in restraint of trade." On August 22, 1917, Mr. Hoover wrote the following memorandum to the President, outlining the problem:

We are squarely up against the determination of a matter of policy that I feel is of so much intrinsic importance that I have no right to act without your approval. I attach hereto an application to the Attorney General for an opinion, which needs your approval.

In very bold terms, it is simply the creation by the Food Administration, representing yourself, of a combination in restraint of trade to reduce prices. The operations are of varying degree



of such combination, the clearest case being in the matter of beet sugar.

Certain Cuban sugar producers (who are out of our reach) have combined to force up the price of the remaining 1917 Cuban crop, prior to the new crop in December, and have lifted the price of raw sugar in New York from 5.9 cents in June to 7.5 cents, duty paid, on August 16th, and this against a 3-year prewar average of 4.2 cents. The recent advance of 1.6 cents alone would represent an added tax upon the American people of over \$30,000,000 by the end of December.

During the period of September-January, our beet crop of about 850,000 tons comes into the market. We have had a number of conferences with representatives of the principal beet-sugar concerns and they are disposed to agree to fix a price comparable with Cuban raws at New York of 6 cents. This would indicate a saving to the consumer of 1.15 cents, or over \$23,000,000 before the new Cuban crop is available. We will need to take measures to control the latter, later in the year.

Our power in the Food Bill, so far as sugar is concerned, extends only to a control of exorbitant profits and wasteful practices. The beet-sugar industry, however, varies in its cost of production from 2.6 cents per pound to 4.5 cents per pound. If we simply limit the amount of profits, we will have produced a different price of sugar from every factory in the country, and have thrown utter confusion in the entire sugar trade. The consumer will have no benefit, because if a retail groceryman buys part of his sugar at one price and part at another, we can be assured that he will maintain the top price.

The only hope is to get all of the beet sugar marketed at a given price, and for us to put restrictions on the wholesaler and to seek for restrictions on the retailer by virtue of publicity as to the real price of sugar.

The alternative is to agree with the beet-sugar producers as to a price at which they will sell their sugar, and to ask them to pool the entire sugar and the cost of distribution among themselves, so that factories situated advantageously, from a transport point of view, will not be making a different price from those at a longer distance. This requires an inter-agreement between the different factories, and is, in fact, a combination.

The same situation will also apply to the cane-sugar refiners. We have given days of earnest discussion to various methods by which we could effect this by direct action from the Food Administration to each producer, and we are compelled to abandon it as hopeless from a commercial point of view. Therefore, the problem becomes one simply as to whether or not the Sherman Act is to be

construed as a restriction on combination with a view to a reduction in price, and, furthermore, in considering this problem, we cannot lose sight of the possible effects on having created such combinations in their after-war complexion.

We would have been able to solve this entire problem, had it not been that the Senate struck out of the Food Bill the right of the Government to buy and sell sugar, and limited the control to profits and not prices. It would have been a comparatively simple operation for us to have bought the sugar from each individual producer at a fair price, and to have undertaken the distribution ourselves by the use of the usual distributing machinery in the sugar trade.

Subsequently, in response to the above, the Attorney General gave the opinion that such contracts with the Government as mentioned above were not in contravention of the Sherman Act. Some preliminary negotiations were then entered into with beet-sugar producers representing 80 per cent of the whole industry. These negotiations were conducted during the week ending August 26, 1917, and a tentative agreement was reached to reduce the high price then prevailing by  $1\frac{1}{2}$  cents. Later all the other producers joined in the arrangement, the basic price agreed upon being \$7.25 per hundred pounds, cane basis, seaboard refining points.<sup>1</sup> An agreement was reached with the Louisiana producers, limiting the price for Louisiana plantation granulated sugars to \$7.80 per hundred pounds and \$7.25 for clarified sugar. A further measure, looking towards a decrease in price, was the request made of the refiners, that they refuse to pay more than \$6.90 per hundred pounds for raw sugar, duty paid at New York. A refiners' margin of \$1.30 per hundred pounds was agreed upon after investigation of prewar and war costs of refining.

As a result of all these agreements and measures and other arrangements made in connection with the purchase of the Cuban 1917-18 crop, which are explained

<sup>1</sup> This basic price was changed to \$7.35 on December 12 and to \$7.45 on January 8, changes made essential by the agreement arranged with the Cuban producers.

below in another section, the price of raw sugar at New York decreased from \$7.52 per hundred pounds on August 7 to \$6.72 on November 30, 1917, and then dropped further to \$6.005 on December 17, at which date the Cuban price was finally fixed by direct purchase of the whole 1917-18 crop by the International Sugar Committee.

The weekly fluctuations in prices from August 7 to the end of the year were as follows:

| DATE  |    | NET CASH DUTY-PAID PRICES<br>OF RAWS AT NEW YORK<br>(Cents per lb.) |       |
|-------|----|---|-------|
| Aug.  | 7  | .   | 7.52  |
| Aug.  | 16 | .   | 7.40  |
| Aug.  | 22 | .   | 7.46  |
| Aug.  | 23 | .   | 7.40  |
| Aug.  | 29 | .   | 7.02  |
| Sept. | 14 | .   | 6.90  |
| Sept. | 24 | .   | 7.02  |
| Sept. | 27 | .   | 6.90  |
| Nov.  | 30 | .   | 6.72  |
| Dec.  | 17 | .   | 6.005 |

In order that all the efforts of the Food Administration in stabilizing the price of sugar might not be nullified by activity of the wholesale and retail trade in an opposite direction, regulations were issued limiting profits of wholesalers and dealers, and an intensified and widely diffused propaganda informed the general public what the maximum retail price for sugar should be. The retail price of refined sugar was reduced by activity in all these directions from  $1\frac{1}{2}$  to 2 cents a pound in the territory north of the Ohio and west of the Mississippi, and about 1 cent a pound in the South and the Atlantic Seaboard States. Since the consumption of sugar in the United States in the four months September through December, 1917, amounted to about 990,000 short tons or 1,980,000,000 pounds, it is clear that a large amount was thus saved to the American people. For every

cent of increase in the price of sugar meant a loss to the consuming public of \$19,800,000, and conversely, for every decrease of a cent, the consuming public saved a like amount.

*Alleviation of Conditions in the Eastern States in the Last Quarter of 1917*

Statistical evidence had been accumulating for some time before the Food Administration was created, that a shortage in sugar was imminent before the end of the year. Accordingly, various measures were taken shortly after the Food Administration came into existence, which would tend to improve matters, but there was not sufficient time ahead nor sufficient legal power to alleviate shortage conditions entirely.

The first measure taken was the imposition of an embargo, on August 27, 1917, on sugar exports from the United States to all destinations except the allied nations. Furthermore, coöperation was secured of the Cuban Government, which placed an embargo on sugar exports from Cuba to all countries except the United States and the Allies, on October 1, 1917. The second measure was an appeal to the American people to reduce their consumption of sugar both by decreasing its domestic use and by eating less candy and other articles in which sugar is used. A request was also made of the sugar-distributing trade on October 25, 1917, to supply the confectionery and sweet drink trade with but fifty per cent of their normal requirements. A campaign for increased fruit preserving, however, neutralized efforts to conserve sugar in these directions, but this was inevitable, since it was absolutely essential that as much perishable fruit be conserved as possible.

The third measure was the attempt to move a maximum amount of beet sugar, then being manufactured in large quantities, from producing centers to the other



parts of the country, particularly to the Northeastern States. Unusually severe weather and bad transportation conditions balked the efforts of the Food Administration in this connection to a large extent. At one time 140 cars of beet sugar destined for the Northeast were held up owing to a transportation blockade. In spite of these discouragements, however, 393,475 tons, or 51.9 per cent of the total beet-sugar crop of 1917-18, were sold before January 1, 1918, as against a prewar average of about 29 per cent. This rapid movement of the crop and its wide distribution was due in large measure to the efficiency of the Beet Sugar Distributing Committee at Chicago, which was the central organization created by the Food Administration under the terms of the agreement with the producers to distribute the 1917-18 crop. The Food Administration, as a further effort to obtain sugar for Northeastern States, released about 30,000 tons of sugar destined for shipment to France and Russia, for distribution in the section of the country where the shortage was worst.

It is important to emphasize again that the problem in the last analysis was one of shipping. For there was at this time sufficient sugar in Java for all needs, and the Food Administration endeavored to obtain shipping to send there, but the Shipping Board could not allow ships for this purpose, nor could foreign shipping be secured. It was obviously detrimental to the war aims of the United States to send ships on such an errand when there was insufficient tonnage for more essential purposes.

### *Coöperation with the Allies*

The efforts of the Food Administration to arrange some form of coöperation with the Allies, resulted finally in the creation of an International Sugar Committee of five, of which two members, Sir Joseph White-Todd and John Ramsay Drake, represented the English,

French, and Italian governments; two members, Earl D. Babst and Wm. A. Jamison, represented the American Refiners, and one member, George M. Rolph, represented the United States Food Administration. The duties of this committee were three-fold:

- (1) To determine the most economical sources of sugar supply from the standpoint of transport conditions.
- (2) To arrange for transport of sugar at uniform rates.
- (3) To allocate and distribute sugar between the United States and the Allies, subject to the approval of the respective governments.

This committee began negotiations immediately with the Cuban producers, with the intention of purchasing the entire Cuban crop for the Allied Governments. The final agreement<sup>1</sup> was entered into on December 24, 1917, after both the Cuban and the American governments had participated in the negotiations. The price finally agreed upon was \$4.60 per hundred pounds f. o. b. northern Cuban ports. Of the amount bought, one-third was to be sold to the Royal Commission on the Sugar Supply for export to Europe, the remaining two-thirds to go to the refineries of the United States. As it was finally worked out, 1,076,934 long tons went to Europe and 2,153,869 long tons to the United States, thus representing a transaction of 3,230,803 long tons, having a value of \$330,000,000. Executive machinery was provided for the allocation of the sugar to the American refineries, for the shipment of this large amount of sugar to the different countries, and for handling all the necessary details involved in a transaction of such magnitude.

### *Mobilization of the Various Branches of the Sugar Trade*

As noted above, Mr. Hoover appointed Mr. George M. Rolph chief of the Sugar Division of the Food Adminis-

<sup>1</sup> See Appendix, Exhibit 1, page 136, for this agreement printed in full.

tration on August 15, 1917, five days after the Food Control Act became effective. Mr. Rolph had been general manager of the California and Hawaiian Sugar Refining Company for the twelve years preceding. He had been surveying the field of possible war-time control of the sugar industry since the end of June, 1917, at which time he had been summoned to Washington by Mr. Hoover to discuss the matter. By the time the Food Control Act became law, an executive department to deal with sugar problems was already in existence as a constituent entity of the Food Administration organization, designated as the Sugar Division.

The mobilization of the various branches of the sugar industry proceeded along with the activities relating to sugar price control. Following preliminary conferences with representatives of the beet-sugar producers in the last week of August and the first few weeks of September, the Food Administration announced on September 17, 1917, that plans had been formulated for the creation of a central distributing agency for all beet sugar produced in the United States. Such an agency, working under the direction of the Food Administration, was imperative during the war in order that the available supplies might be allotted equitably and with the greatest geographical efficiency, thus allowing greater utilization of the railroad facilities for military purposes. On September 20, 1917, the Food Administration announced that the contract between the Government and the beet-sugar producers had been signed by all the producers. This contract<sup>1</sup> provided for a maximum price of \$7.25 per 100 pounds (cane basis seaboard refining points) for all beet sugar of the 1917-18 crop, unless increased by order of the Food Administrator later in the crop year in order to adjust the beet price to the price of refined sugar made from

<sup>1</sup> See Appendix, Exhibit 5, for text of this agreement (page 155).

foreign cane. Further, every producer who signed the contract agreed to ship sugar only to such localities and in such amounts as the Food Administrator, acting through the Sugar Distributing Committee, might direct. The Food Administrator agreed to direct the distribution of the crop in "the most economical and efficient method consistent with an equitable distribution." Provision was made for the pooling of all freight charges and distribution expenses so that each producer received an "average net proceeds" per pound of his sugar.

The seven men<sup>1</sup> named in the contract to act as the Food Administration Sugar Distributing Committee met in New York City on September 21, 1917, and proceeded with their work of organization. Formal jurisdiction was assumed by this body on October 1, when the proclamation of President Wilson, putting the beet-sugar industry under the licensing provisions of the Food Control Law, became effective. The executive offices of this committee throughout the period of its existence were located in Chicago.

While these arrangements were being made with the beet-sugar producers, conferences were being held with the cane-sugar refiners. On September 5, 1917, the Food Administration announced that, at a conference with representatives of practically all sugar refiners of the United States, it had been voluntarily agreed to import all foreign sugars during the war through a committee to be appointed by the Food Administrator, such sugars to be distributed proportionately to all refineries operating in the United States. The details of these arrangements were of necessity elaborated concurrently with the plans for the creation of the inter-allied council which was to purchase foreign sugars for the United States and the Allies and also the negotia-

<sup>1</sup> H. A. Douglas, E. C. Howe, W. H. Hannam, S. H. Love, W. L. Petrikin, S. W. Sinsheimer, and W. P. Turner.



tions with the Cubans for the purchase of the entire 1917-18 crop.

The contract<sup>1</sup> as finally drawn up between the refiners and the Food Administrator, which was dated October 1, 1917, provided for a committee of five refiners, designated as the American Refiners' Committee, to carry out the provisions of the contract. Each refiner agreed not to purchase after October 1, 1917, any raw sugar from the West Indies and other available import sources except through the International Sugar Committee. The International Committee was to "arrange, route, and distribute" its purchases of raw sugars for the refiners' accounts, acting as far as possible in accordance with refiners' conveniences and requirements. The American Refiners' Committee was to arrange for a fair proportional allotment of the supplies to individual refiners and in event of friction the decision of the Food Administrator was to be final. Expenses of both the American Refiners' Committee and the International Sugar Committee were to be met by a levy on the total tonnage handled by the Committees, and the maximum margin for refining was fixed at a differential of \$1.30 per 100 lbs. f. o. b. refinery over the cost of raw sugars, assuming a basic duty-paid delivered price of raws of from  $5\frac{3}{4}$  to 6 cents per pound. The cargo export business of the refiners was placed under the supervision of the Food Administrator. The period of the effectiveness of the contract was stated as "until the existing state of war between the United States and Germany shall have terminated."

Through the above contracts with the beet-sugar producers and the refiners, the Food Administrator had mobilized for war ends all of the domestic sugar industry except the Louisiana producers, who supplied only about

<sup>1</sup> See Appendix, Exhibit 4, for text of this contract (page 149).

6 per cent of the annual consumption of the United States. No contract, such as was in existence in the following year, was entered into between the Food Administration and the some 160 odd Louisiana producers, but they were all under the licensing provisions of the Food Control Act and voluntary maximum price agreements were established with them as already noted above. But at a conference held in Washington on October 24, 1917, a contract was arranged through the medium of the Food Administration, between the American Sugar Refining Company and the representatives of the Louisiana producers, providing for the sale to the American Sugar Refining Company of 100,000 tons of Louisiana sugar at a price of \$6.35 for 96° raw sugar at New Orleans. A freeze occurred, however, in Louisiana which reduced the crop seriously, so that only about 26,000 tons were actually delivered.

The above machinery for control over the producers and refiners was supplemented by the various measures adopted for control over the distributing trade: the wholesalers, jobbers, and retailers. The activities of the Food Administration in this direction in control of sugar were based on policies and principles common to its control of the distribution of all other food commodities and these are now too generally known to require comment here.

### *Encouragement of Production*

Perhaps the most serious problem confronting the Food Administration in its sugar activities was that of encouraging production while yet, at the same time, endeavoring to check the upward tendency of prices. In the words of one critic, "it was proposed to reduce prices in spite of the overwhelming economic forces which were working always steadily and relentlessly toward their advance and at the same time to stimulate

production. Nothing could be more desirable than both these purposes, but there was much doubt in the minds of those who reflected upon these subjects whether such an experiment as this could possibly succeed.”<sup>1</sup>

But when Mr. Hoover arrived in Washington, May 3, 1917, to advise the Council of National Defense on questions of food supply and control, he found the first serious threat to sugar production, not in any contemplated price control, but in the political disturbances in Cuba. At the request of the Department of State, he investigated the situation, so that action might be taken by the United States Government to aid in preserving order in Cuba. Subsequently, an agent of the American Government was sent to the island to co-operate generally with the Cuban Government in any measures which would be necessary to protect the sugar supplies of the United States. The final outcome was a decline in the Cuban crop of nearly 400,000 tons, although it was feared when the revolutionary disorders were at their peak, that the crop would be reduced by almost a million tons. After this initial disturbance in Cuba, no similar peril developed in any of the principal sources of the American sugar supply during the war, but the Food Administration was confronted with the much more delicate and troublesome question of agreeing upon prices with the producers which would stimulate production. The problem would not have assumed such complexity if the entire sugar supply of the United States had originated in one or two localities. But of the total annual sugar consumption of the United States in prewar years, 49.8 per cent was shipped from Cuba, 13.66 per cent from Hawaii, 8.01 per cent from Porto Rico, 6.27 per cent came from Louisiana, 15.97 per cent from the domestic beet-sugar crop, and the balance, about 7 per cent, from miscellaneous foreign sources

<sup>1</sup> Speech of Senator Henry Cabot Lodge in the Senate, February 27, 1918, on the shortage of sugar.

and the Philippines. Each of these regions differed in average costs of production, and reliable statistics of costs in most of these regions were meager and unsatisfactory.

It was clear, however, that any significant increase in sugar production for any source but Cuba was out of the question, both for agricultural and economic considerations. Relatively large price increases would have been required to influence the production but slightly in Porto Rico, Hawaii, Louisiana, and the domestic beet industry, while tremendous strides in production, as the last few years have amply demonstrated, could be expected to result from an almost negligible price increase in Cuba. In the purchase of the 1917-18 crop "en-bloc" by the International Sugar Committee, the price of 4.60 f. o. b. Cuba, which was finally agreed upon, after months of conference, was considered sufficient by the Food Administration to encourage production, although the Cuban representatives requested 5.25 cents. The tremendous increases in the Cuban crops which have followed this action are testimonials to the sound judgment displayed at that time by the Food Administration officials.<sup>1</sup>

So much for encouragement of Cuban production. The activities of the Food Administration in encouraging domestic production and the problems resulting therefrom are inextricably interwoven with other matters and are therefore best set forth in their proper places in other chapters below.

### *Restrictions on Consumption*

While the Food Administration was endeavoring to encourage sugar production in the United States and Cuba as far as possible, it was inevitable that, should the war continue for several years, there would be a

<sup>1</sup> See page 128 for figures of increased production in Cuba.



continuous and progressive decline in domestic sugar production, following the increased absorption of men into the military machine and into war industries. Moreover the European beet-sugar supply was being reduced further each year of the war, thus causing proportionally greater inroads upon the sugar supply of the Western Hemisphere. Finally, the basic problem was always the question of tonnage. It was evident that if the people of the United States would reduce their sugar consumption by only 500,000 tons, the resulting conservation of tonnage would be a significant contribution towards a solution of the shipping problem. The advantages of such conservation from the viewpoint of economies in the national fund of labor, machinery, and raw materials were also obvious.

Accordingly, appeals were made by the Food Administration for voluntary conservation by the consuming public. Thus, for example, on October 16, 1917, Mr. Hoover requested the people in the Western areas of the country to reduce their consumption of candy and sweet drinks, so that more of the beet sugar produced in this part of the country might move eastward to relieve the shortage conditions there existent. Then again, the American public was asked to go on an honor basis of 3 lbs. per person per month on December 13, 1917, and also to reduce the use of candy and sweet drinks. Supplementing appeals to the general public, the distributing trade was requested to regulate the amounts of sugar sold to the various sugar-using industries. Thus, for example, on October 25, 1917, refiners were advised to deliver to manufacturers such quantities of sugar as when added to their stocks on hand, would amount to fifty per cent of their normal requirements.

These voluntary appeals did not reduce consumption sufficiently and the "certificate" plan of rationing, described below, was adopted early in 1918.

The year 1917 thus closed with the various branches of the domestic sugar industry mobilized for war purposes, coöperation established between the Allies and the United States, the distribution of available supplies under government direction assured for the crop year 1917-18, and measures initiated aiming at increased production and regulation of consumption. The work of the Food Administration was, however, only begun. For it was essential to prepare for the future on the generally recognized assumption that the war would continue beyond the coming crop year of 1917-18. The beet farmers in the West were already preparing for the planting of the 1918-19 crop and active measures were essential to stimulate an increased sowing or at least to maintain the normal acreage. Moreover, it was necessary to consider the prospects of available supplies and demand for the Allies for the year 1918 in order to provide for a possible shortage in the last quarter of the year. It was in the attempted solution of these difficulties that the Sugar Equalization Board was created, as the following pages indicate.

## CHAPTER II

### REASONS FOR AND EVENTS LEADING TO THE FORMATION OF THE BOARD

#### *Problems Relating to Price*

THE difficulties of the Food Administration in regard to the price of sugar for the 1918-19 crop emerged from its accepted policy of encouraging domestic sugar production. For early in the history of the Food Administration there was definite acknowledgment of the fact that an encouragement of domestic sugar production was highly desirable, mainly because of the necessity for conservation of import tonnage but also in view of the gradual reduction in the world's supply. It was hardly to be expected that war conditions, with the consequent reduction of the labor supply, the high prices paid for competing crops, and the high price of materials, would allow much increase in the domestic sugar production, but it was essential to take measures to maintain, at least, the normal production.

In anticipation of a possible reduction in the sugar-beet acreages for the campaign of 1918-19, owing to the competition of more lucrative crops and high costs of labor and materials, Mr. Hoover sent the following circular letter to all sugar-beet farmers, dated October 22, 1917:

One of the most vital problems confronting the nation is that of procuring sufficient sugar to meet the requirement of our people and of the Allied Nations fighting our common battle. The production of cane sugar in this hemisphere can and will be increased to a limited degree. But we must rely upon the farmers

in sugar-beet producing sections of the country for a part of the needed supply. I, therefore, earnestly appeal to every farmer, so situated, to come to his country's aid in this hour of need. Without the coöperation of the American beet grower our task will be very difficult and our ability to respond to the calls to be made upon us for this very essential commodity will be curtailed. It is at least the duty of every beet grower to maintain in 1918 his normal acreage of sugar beets. It is his privilege to increase the acreage to the extent that a well-balanced production of crops will permit, and in this manner effectively demonstrate his patriotism.

It developed, however, that the beet farmers in the West were refusing to sign the customary contracts for acreage with the beet-sugar companies because they felt themselves unjustly treated with regard to prices. Moreover, their costs of production were mounting rapidly, competing crops were becoming more profitable, and there was a feeling that with a price restricted by agreement between the sugar factories and the government, the raising of beets would become progressively less profitable in comparison with the production of other food commodities, the prices for which were not regulated by the government. Mr. Hoover thereupon appointed local commissions in the principal beet-growing states to investigate costs of production and he further urged the beet-sugar companies to abide by the decisions of these commissions, promising these companies that if they would do so, the government in turn would undertake, in so far as it was able, to readjust prices for the sugar made from these higher cost beets so as to cover the increased outlay involved.

These commissions summoned witnesses and conducted exhaustive examinations in the various states, later submitting reports to Mr. Hoover. The stenographic reports of the California hearings alone consisted of nine thick volumes of typewritten matter, containing the testimony of nearly one hundred growers of sugar beets from the various sections of California.

The Colorado and the Nebraska commissions recommended that farmers be paid a basic price of about \$10 per ton for beets, while the California Commission recommended a basic price of \$8.25 per ton for beets of 15 per cent sucrose content, with various differentials for higher and lower grade beets, respectively.

The beet-sugar factories agreed to abide by the decisions of these commissions and there is definite evidence that they carried out their promises. The Department of Agriculture reports the following average prices paid farmers for beets in 1918 in the various states as compared with other years :

AVERAGE PRICE PAID FOR BEETS PER TON<sup>1</sup>

| STATE                     | 1918    | 1917   | 1916   |
|---------------------------|---------|--------|--------|
| California . . . . .      | \$ 9.95 | \$7.60 | \$6.30 |
| Colorado . . . . .        | 10.02   | 7.28   | 6.06   |
| Idaho . . . . .           | 10.00   | 7.06   | 6.16   |
| Michigan . . . . .        | 10.08   | 8.04   | 6.14   |
| Nebraska . . . . .        | 9.96    | 7.22   | —      |
| Ohio . . . . .            | 10.03   | 7.18   | 6.83   |
| Utah . . . . .            | 10.01   | 7.04   | 5.73   |
| Wisconsin . . . . .       | 10.00   | 8.81   | —      |
| Others . . . . .          | 9.86    | 7.28   | 6.18   |
| United States (average) . | \$10.00 | \$7.39 | \$6.12 |

The percentage of increase for the United States as a whole, in the price paid the farmers for beets in 1918, as compared with 1917, was thus 35.3 per cent. This increase in the price of beets was of course reflected in higher costs for the beet-sugar factories since the outlay for beets represented 58.2 per cent of the total cost of sugar production in the years 1909 through 1914. Moreover, the cost of all other materials used in sugar

<sup>1</sup> From Monthly Crop Reports, April, 1919, and April, 1918.



production and the wages of labor had also increased rapidly.

The Tariff Commission coöperated actively with the Food Administration in seeking to determine as far as possible the actual increase in costs. The results of the investigations carried on at that time have been incorporated in part in a bulletin published recently by the Tariff Commission. In this bulletin the Commission made the following pertinent comment relative to increasing costs: <sup>1</sup>

"There has been a substantial advance in the prices of all the principal items entering into the production of sugar. Prices were higher for the season 1917-18 than before the war, and higher for the season 1918-19 than for 1917-18. The greatest percentage advance is shown in textiles, 231 per cent for bags and 256 per cent for filter cloth. Such high percentage advances, however, add less to the cost of sugar than items such as labor, which show a lower percentage advance but are relatively more important. A rise of 200 per cent in filter cloth would add about \$1.30 to the cost of a ton of sugar in 1918-19 above the cost of 1917-18, while an increase of only 40 per cent in the wages of factory labor alone would add over \$3 and if the rise extended to agricultural labor, as manifested by the increased cost of beets, the increased cost of a ton of sugar would be over \$12."

On the basis of the data submitted by the producers to the Tariff Commission and the Food Administration, it was possible to compute the probable cost of producing a ton of sugar for the campaign of 1918-19 for each producer and it was possible to prepare a cost line curve showing the relative importance in sugar production of the low and high cost producers.

Such analysis revealed the following situation:

(1) A price of 11½ cents per pound for seaboard refined sugar would have been essential to cover all producers and yield a profit of a cent a pound to the highest cost producers (excluding several sporadic cases of ab-

<sup>1</sup> Costs of Production in the Sugar Industry, Tariff Information, Series # 9, page 31.

normally high costs due to special disaster or disadvantage).

(2) 9 cents a pound would have been essential to cover approximately 85 per cent of the production and yield a profit of a cent a pound to the higher cost producers of the group.

(3) 7.45 cents a pound, the preceding year's price, would have covered but 30 per cent of the production, yielding a profit of 1 cent per pound to the higher cost producer of this group.

It was therefore necessary that a price of at least 9 cents a pound for refined sugar be agreed upon if the beet-sugar production was to be maintained. Even at that relatively high price it was clear that many factories would face a loss, but, on the other hand, it was to be reasonably expected that a decreased production from this source would be counterbalanced by the increased production of the lower cost companies, owing to the stimulation of a profitable price:

| COST: CENTS PER POUND (VALUE OF<br>MOLASSES DEDUCTED) | PER CENT OF TOTAL PRODUCTION OF<br>SUGAR PRODUCED UNDER EACH COST<br>IN LOUISIANA |                              |
|---|---|------------------------------|
|   | Campaign of 1917-<br>1918   | Anticipated for<br>1918-1919 |
| 5 cents . . . . .                                     | 11.7  | 2.1                          |
| 5½ cents . . . . .                                    | 14.1  | 2.3                          |
| 6 cents . . . . .                                     | 34.6  | 17.8                         |
| 6½ cents . . . . .                                    | 61.2  | 27.3                         |
| 7 cents . . . . .                                     | 86.4  | 33.9                         |
| 7½ cents . . . . .                                    | 95.8  | 47.8                         |
| 8 cents . . . . .                                     | 96.4  | 53.8                         |
| 8½ cents . . . . .                                    | 98.3  | 74.9                         |
| 9 cents . . . . .                                     | 99.4  | 91.1                         |
| 9½ cents . . . . .                                    | 99.4  | 95.2                         |

The domestic cane-sugar producers of Louisiana were in much the same situation. Figures submitted to

the Tariff Commission and the Food Administration by the Louisiana producers showed the situation there, as given in the table on the preceding page:<sup>1</sup>

While the above figures show the cost of sugar production to be rather high for Louisiana, it must be remembered that the greatest part of the sugar produced in that part of the country is suitable for direct consumption and commands a price almost equal to that of the refiners' standard grade of granulated sugar. The cost figures above, therefore, are more comparable with the beet-sugar producers' costs rather than with the Hawaiian or Cuban cane producers' figures. It was however clear from the figures submitted that a large proportion of the Louisiana Sugar Industry could not be maintained at a price basis of less than 10 cents per pound for refined sugar.<sup>2</sup>

Investigation made by the Tariff Commission of the Hawaiian costs revealed a situation generally similar to that obtaining in the continental United States. The average cost of producing a pound of sugar in Hawaii had mounted from 3.06 cents in 1913-14 to 4.08 cents in 1916-17 and 5.34 cents in 1917-18.<sup>3</sup> The increase was thus much greater in the one year from 1916-17 to 1917-18 than in the three-year period from 1913-14 to 1916-17. It was anticipated that there would be a still greater increase in cost for the season of 1918-19, owing to a decreased production resulting from the impossibility of obtaining nitrates for fertilizer. Nitrates are absolutely essential for sugar production in Hawaii, since the soils there are of volcanic origin and contain

<sup>1</sup> These figures were compiled by the writer from two sets of schedules submitted by the Louisiana producers, one set having been submitted to the Tariff Commission, the other set to the Statistical Division of the Food Administration.

<sup>2</sup> That is to say, it was anticipated that about 10 per cent of the production for 1918-19 would be produced at a cost of over 9 cents per pound. A basic price of 10 cents per pound would thus be required in order to give these producers a profit of a cent per pound.

<sup>3</sup> See page 14 of Tariff Information Series No. 9 for detailed figures of increasing costs for various items.



no nitrates inherently, such as the soils of other sugar-producing regions. The United States Shipping Board ruled, however, that on account of the scarcity of tonnage, no agricultural nitrates should be transported to Hawaii. It was estimated that the crop would be reduced 160,000 tons if there were no further deliveries of nitrates.

In contrast, however, with those high costs in the domestic industry was the condition in Cuba. Here, too, costs were mounting, but they were not as high as in the United States. The Mission from the Republic of Cuba, appointed by President Menocal to negotiate a price for the 1918-19 crop, submitted a brief to the Food Administration relative to the costs of production and the price for the 1918-19 crop, in which it was stated that the average cost per pound of sugar in 1916-17 for firms representing a production of 946,146 short tons, or 31.28 per cent of the total crop of that year, was 3.355 cents, whereas in 1917-18, the cost per pound for firms representing a production of 1,037,318 short tons, or 30.1 per cent of the total crop, had mounted to 3.88 cents, an increase of .525 cents per pound. The Mission stated that a price of 5.60 f. o. b. at the north ports of Cuba and 5.55 f. o. b. south ports would be required to sustain and to stimulate the production of sugar for the 1918-19 crop, as compared with 4.60 north ports of Cuba and 4.55 south ports for the previous crop. The Commission thus apparently anticipated an average increase of about 1 cent per pound in the cost of sugar production in Cuba for 1919 as compared with 1918.

Not only were producers' costs mounting but refiners' costs as well. The committee of the refiners, which was appointed to inquire into and report upon the increased costs of refining, reported on May 3, 1918, the following average increases since September 15, 1917, on the principal items which go to make up the cost of refining:

|                       |                            |
|-----------------------|----------------------------|
| On labor . . . . .    | .0313 cents per lb.        |
| On fuel . . . . .     | .0089 cents per lb.        |
| On packages . . . . . | .1178 cents per lb.        |
| On supplies . . . . . | .0076 cents per lb.        |
| Total . . . . .       | <u>.1656</u> cents per lb. |

The price situation, as it appeared in June, 1918, may be then summarized as follows:

(1) Cuba, which normally supplied the United States with 49.8<sup>1</sup> per cent of the total annual supply, requested a basic price for raw sugar of 5.60 cents per hundred pounds f. o. b. Cuba. This price was considered sufficient to stimulate production in Cuba.

(2) The domestic beet sugar industry, which supplied 15.97<sup>1</sup> per cent of the total annual consumption of the United States, required a basic price of at least 9 cents per pound for refined sugar to maintain production.

(3) The domestic cane industry in Louisiana, which supplied 6.27<sup>1</sup> per cent of the total annual consumption of the United States, required a basic price for refined sugar of about 10 cents per pound to maintain the production.

(4) The Hawaiian industry, which supplied 13.66 per cent of the total annual consumption, required about the same price as the domestic beet industry.

(5) The refiners requested an increased margin of about 16 cents per hundred pounds to cover the increases in refining costs.

If the price of sugar was to be raised only sufficiently to meet the needs of the Cuban producers, the resulting basic wholesale price for refined sugar at seaboard refining points would have been 8.54 cents per pound. The difference between 8.54 cents and the 5.60 cents to be paid to the Cubans for raw sugar would have been made up as follows:

<sup>1</sup> Average for years 1911-12 through 1914-15, compiled from figures on page 446 of reports on "The Cane Sugar Industry," Miscellaneous Series, No. 53, of Department of Commerce.

|   |        |
|---|--------|
| Basic price for 96° test centrifugal sugar f. o. b. north ports           |        |
| Cuba per 100 lbs. . . . .   | \$5.60 |
| Duty, freight, and insurance . . . . .                                    | 1.40   |
| Refiners' existing margin (net cash basis) . . . . .                      | 1.30   |
| Probable increase in refiners' margin essential to meet in-               |        |
| creased cost of refining . . . . .  | .15    |
| Plus 7 per cent of increased price of raws <sup>1</sup> to refiners . . . | .09    |
| Basic (net cash) wholesale price for refined sugar per 100 lbs.           | 8.54   |

Between the above price of 8.54 per 100 lbs. for the refined Cuban sugar at seaboard points and the basic net cash price of 8.82 <sup>2</sup> desired for the domestic beet sugar there was a differential of 28 cents per hundred pounds. The dilemma confronting the Food Administration was either to advance the price of sugar in the United States to 8.82 <sup>2</sup> cents, thus covering the needs of the domestic industry, but giving the Cubans 28 cents a hundred pounds more than they had asserted was essential to maintain and stimulate the Cuban production, or disregarding the previous promise to the domestic industry, to advance the price only to \$8.54, the point where the Cuban production would be maintained.

There were two objections to the first plan — the fixing of a price of 8.82 cents:

(1) It would have involved the payment to Cuba by the people of the United States of about \$18,000,000 more than was essential to maintain the Cuban production during 1919.

(2) The Allies, particularly the United Kingdom, who wished to buy about one-third of the Cuban crop to meet their needs, as they had done in the previous year, strongly objected to making this unnecessary payment to Cuba.

There were, on the other hand, several objections to the second plan — the fixing of a price of 8.54:

<sup>1</sup> Required to cover the 7 per cent loss of sugar in the melting process.

<sup>2</sup> The list price of \$9, less 2 per cent for cash.

(1) The Food Administration, as explained above,<sup>1</sup> had assured the beet-sugar producers that if they would abide by the recommendations of the various state commissions relative to the prices to be paid farmers for beets, the Food Administration would undertake, so far as it was able, to obtain for them a fair price for the sugar made from these beets. As the figures indicated above show <sup>2</sup> there was no question but that the beet-sugar producers had done as required and the Food Administration in turn was under obligations to maintain its previous promises.

(2) The lower price would have had a tendency to discourage the domestic sugar production, every ton of which saved an equivalent amount of shipping tonnage. The importance of the domestic industry was emphasized in June by the sudden appearance on the Atlantic Coast of German submarines, which sank 13,000 tons of sugar in a few days.

The one practical solution was the creation of a sugar commission, such as Mr. Hoover had suggested to the Senate Committee on Agriculture in June, 1917, which would purchase sugar in coöperation with the Allies, who already had a similar organization. Such an organization could purchase from Cuba, Java, Peru, or from any foreign source of supply at any price that was desirable with a view to better economy of supplies and shipping for all the Allies, and resell to the American refiners at an average price.

### *Problems Relating to Supply and Distribution*

A careful inventory made in the spring of 1918 of the available supplies for the United States for the seven months June-December, 1918, revealed the strong probability of a sugar shortage. It was of course difficult to foretell exactly the size of the various crops at that

<sup>1</sup> See page 26 above.

<sup>2</sup> See page 27 above.

early date. Varying weather conditions in Cuba between June and August could easily account for a difference of some 200,000 to 300,000 tons, or the equivalent of almost a month's supply for the United States. The estimates for the crop by the experts varied from 3,200,000 long tons<sup>1</sup> to 3,589,429<sup>2</sup> long tons, and it was of course advisable to use as a basis the most conservative figures. The situation then appeared as follows:

(Quantities in Short Tons)

|   |                |           |
|---|----------------|-----------|
| Stocks on hand June 1, 1918   |                | 298,000   |
| Raw cane (in refiners' hands)   | 163,000        |           |
| Beet sugar  | 85,000         |           |
| Refined cane sugar (in refiners' hands)   | <u>50,000</u>  |           |
|   | 298,000        |           |
| Expected receipts (June 1-Dec. 31, 1918)  |                | 1,981,000 |
| Cuban   | 954,000        |           |
| Hawaiian  | 338,000        |           |
| Porto Rican   | 189,000        |           |
| Domestic cane   | 150,000        |           |
| Domestic beet   | <u>350,000</u> |           |
|   | 1,981,000      |           |
| Total stocks and receipts (raw and refined)   |                | 2,279,000 |
| Total stocks and receipts (in terms of refined)   |                | 2,150,000 |
| Requirements for United States consumption in terms of refined sugar on normal basis (June 1-December 31, 1918) |                | 2,616,000 |
| Deficit considering United States consumption only  |                | 466,000   |
| Deficit considering required minimum exports to Allies of about 200,000 tons                                    |                | 666,000   |

It was evident then that the margin between the available sugar supply and the requirements of the United States both for consumption and exports to the Allies, for the year 1918, would be a narrow one at best. This situation was due to three causes, first: the efforts to restrict the consumption of sugar in the United States by appeal to the public for voluntary conservation had

<sup>1</sup> Willett & Gray's estimate.

<sup>2</sup> Estimate of the Cuban statisticians, Messrs. Guma-Mejer.



not been sufficiently fruitful; secondly, there was no reserve supply of consequence on hand in the United States, either in refineries, mills, or warehouses, or in the hands of wholesalers, jobbers, and retailers; thirdly, the Allies, in order to economize shipping, were becoming increasingly dependent on the Western Hemisphere for their supplies. It will be of importance to consider each of these matters more in detail.

### (1) *Difficulties in Restriction of Consumption*

The problem of reducing the sugar consumption of the United States was an extremely difficult one. The prewar annual per capita consumption of the United States was about 83 pounds, as compared with 42 pounds for France and 91 pounds for the United Kingdom. The per capita consumption of the United Kingdom in 1917 had been reduced to about 52 pounds, while France was consuming at the rate of 35 pounds. There was, therefore, considerable room for reduction of sugar consumption in the United States. But war conditions tended to increase consumption in the United States. For one result of the war had been the increased prosperity and the increased purchasing power of a very large part of the consumers. Sugar is normally used, unlike many other food commodities, as a constituent in many other food products, so that the demand for sugar multiplied in all directions. Condensed milk, candy, soft drinks, canned fruits and vegetables, ice cream, flavoring extracts, chewing gum, sweet pickles, catsup, chili sauce, baked goods, and many other edible products, all require sugar, as also certain nonedible products such as tobacco, dental preparations, drugs, explosives, and glycerine.

Products such as condensed milk were exported in large quantities to the Allies and the sugar so used was therefore not to be considered as consumed by the people



of the United States, but the effect was to create a larger demand for sugar in this country. In addition the armed forces of the United States consumed much more sugar per capita than the civilian population. Considerable amounts were shipped for the Red Cross, Y. M. C. A., Knights of Columbus, and other war organizations.

The Food Administration, in accordance with its general policy of voluntary conservation, had endeavored in the first period of its control of sugar to combat this tendency towards increased consumption through appeals to the patriotism of the public and of the dealers. There has been a general impression both in and out of the Food Administration that these appeals to patriotism did not result in any saving. The figures available demonstrated, however, that a saving was effected. Consumption remained at the prewar level, when a large increase in consumption would have been anticipated such as actually occurred in 1919, the first year of unrestricted consumption.

Conservation through patriotic appeal alone was not sufficient, however, particularly in view of the probable continuance of the war for another year. It was essential to create some restrictive mechanism, which the Food Administration could count upon as being definitively productive of results whenever quick results were desirable. Any card rationing scheme such as existed in Europe involved a large expense for printing cards for a population of over 100,000,000<sup>1</sup> and a still greater expense for general supervision and execution.

It was obvious that to solve the problem satisfactorily there was need for the creation of such a corporation as Mr. Hoover had originally suggested, which could undertake the problem of sugar distribution and control, and pay the expenses of such undertaking through a frac-

<sup>1</sup> It was estimated that the printing cost alone would have been \$100,000 a month. (See page 44 below.)

tional profit<sup>1</sup> made in the purchase abroad of foreign sugars and the resale to the American refiners.

## (2) *The Reserve Stocks*

The sugar supply of the United States at any one time consists of three parts: first, the "visible" stocks, that is, raw and refined sugars held in mills, factories, refineries, and bonded warehouses in the United States; second, the "invisible" supply, or sugar held by hotels and restaurants, sugar-using industries, jobbers, wholesalers, and retailers; third, the sugar available from the current seasonal production in the various sources of supply, principally Louisiana, the beet-sugar territory of the United States, Cuba, Hawaii, Porto Rico, and the Philippines. A gradual attenuation had occurred during the war in both the "visible" and the "invisible" supplies of sugar in the United States. This decline was due to a combination of several factors. First, the shipping situation for the United States had not been such as to encourage the movement of more sugar from Cuba, Hawaii, and Porto Rico than was necessary to meet current needs. Second, the stabilization of prices and profits for all the branches of the sugar industry from refiner to retailer had a strong tendency to discourage larger holdings than was essential for a "hand to mouth" trade. In previous years the speculative factor had induced larger holdings of sugar, particularly in those months of the year when there was heavy sugar production in all the sources of supply. During the war, on the other hand, with the price of sugar stabilized and with the prospect of equitable distribution of the available sugar supplies by government control, there was no inducement to accumulate stocks. Third, there was a general world shortage of supplies, particularly

<sup>1</sup> Such a profit would otherwise have been dissipated in small margins to the foreign producer or the refiner.

for allied and neutral countries, and this shortage forced reduced surplus holdings in all importing countries.

In view of this reduction in marginal supplies the Food Administration was constantly in fear of a sugar famine, if there should be any interruption in the continuous flow of sugar to the United States from Cuba, Hawaii, or Porto Rico. For there was always the possibility of labor disturbances in the sources of supply or in the ports of the United States. It was felt that it was necessary to provide the United States with a reserve supply of at least two months requirements of sugar, or about 600,000 tons.<sup>1</sup> Such an undertaking, however, required large financial resources and could not properly be managed by the existing agencies in the Food Administration.

### (3) *The Sugar Position of the Allies*

As the war continued the Allies had turned in increasing degree to the United States and Cuba for supplies of sugar. The figures on the following page show to what extent this was true.

While the production of sugar in Cuba and the United States had increased considerably in this same period, there had been a simultaneous increase<sup>2</sup> in consumption in the United States, which partially neutralized this gain in production. The net result of the operation of the several factors noted was to leave a smaller margin of supplies for the United States for domestic use in 1917 than was present in 1913. But in 1918 the drain from the Allies was to be even greater, since the United

<sup>1</sup> The Food Administration was influenced in this direction by the example of the British Ministry of Food, which had accumulated 271,000 long tons of sugar on June 1, 1918, as against only 30,000 tons on June 1, 1917, and 243,406 tons, the prewar average for June 1.

<sup>2</sup> This increase in production amounted to about 1,049,000 short tons, while the increase in consumption amounted to about 225,000 short tons of refined sugar. The requirements of the United Kingdom, France, and Italy from the United States and Cuba increased 877,000 tons in this period.

States Food Administration, acting in coöperation with the Allied governments, had purchased in December, 1917, the entire Cuban exportable surplus for the United States and Allies, a full third of which, or approximately 1,150,000 short tons, was to go to the United Kingdom, France, and Italy. When the contract was made in December, 1917, it was believed that the needs of the Allies would be met fully by this allotment together with other minor sources of supply which they could tap.

IMPORTS INTO THE UNITED KINGDOM, FRANCE, AND ITALY FROM  
THE UNITED STATES AND CUBA

(Quantities in Short Tons)

|  | 1913    | 1914    | 1915    | 1916      | 1917      |
|--|---------|---------|---------|-----------|-----------|
| Imports from United States (mostly refined) to —                           |         |         |         |           |           |
| United Kingdom   |         | 141,602 | 211,346 | 187,803   | 42,534    |
| France . . . .   |         | 978     | 210,648 | 275,644   | 232,726   |
| Italy . . . .  |         |         |         | 32,830    | 20,962    |
|  |         | 142,580 | 421,994 | 496,277   | 296,222   |
| Imports from Cuba (mostly raw) to —  |         |         |         |           |           |
| United Kingdom   | 251,134 | 293,290 | 402,915 | 619,992   | 789,032   |
| France . . . .   | 21,382  | 37,636  | 6,801   | 120,196   | 61,243    |
| Italy . . . .  |         |         |         | 6,285     | 3,823     |
|  | 272,516 | 330,926 | 409,716 | 746,473   | 854,098   |
| Total imports from U. S. and Cuba into United Kingdom, France, and Italy . | 272,516 | 473,506 | 831,710 | 1,242,750 | 1,150,320 |

The great effort, however, put forth by the United States and the Allies in 1918 did not tolerate any waste of shipping, and it was found in June that, assuming a

Cuban exportable surplus of 3,472,000 short tons, at least an additional 112,000 tons of refined sugar would be required in order to maintain the meager rations of the Allies and to prevent their recourse to distant markets such as Java.

So much, then, for the problems facing the Food Administration in connection with the 1918-19 crops. Solution of the price problems was required immediately, since beet sugar made from the new crops was about to enter the market. The problems relating to supply and distribution were even more pressing, since a severe sugar shortage was threatening. The following pages discuss the manner in which these two sets of problems were met, through the work of the Sugar Equalization Board.



## CHAPTER III

### INCORPORATION AND ORGANIZATION

IN the preceding chapter, the author endeavored to point out the main problems which the Food Administration faced in the spring of 1918 in connection with the price, supply, and distribution of sugar in the United States and the urgency for the creation of a commission or corporation, as had been done abroad, to solve these problems. In June, 1918, before taking definite action to form such a corporation, Mr. Hoover sent the following memorandum to the President, outlining the entire situation :

The time has arrived when we must make several changes in our methods of handling sugar.

*First:* We must make some preparation for handling the new sugars, as our domestic beet- and cane-sugar production begins late in August, although the new Cuban sugar does not arrive until December. We have made great endeavors to stimulate our domestic sugar production this year, not only because of the world shortage in sugar but also to relieve import tonnage. Amongst our activities in this direction was the creation of a series of commissions, which arranged for a large advance to beet producers over their return for the year before. In order to secure from the factories an adherence to the "commission" price for sugar beets, I undertook that we would adjust the price of sugar so far as the Government was able, next year, to cover the increased cost of beets and a fair profit. Much the same story applies to Louisiana sugar.

We shall probably not secure as large a production of domestic sugar as last year, however, as the shortage of labor (the beets are an intensive crop) will no doubt curtail them somewhat. However, in order to cover assurances it will be necessary to increase the price of domestic sugar somewhere between one and one half cents per pound, — the figure not being accurately



determinable until we have completed further investigation as to costs of sugar production this year, in which matter the Tariff Commission is extending us great assistance.

On the other hand, the cost of production in Cuba has not increased anything like the proportion of increased cost in the United States, for the fundamental reason that there has been no comparable advance in the cost of labor and supplies in Cuba to that of the United States. It will, however, be necessary to increase the price of Cuban sugar next year to some extent to cover their advanced cost and maintain a stimulated production, but advance in Cuban sugar will probably not amount to more than one half cent a pound to give ample satisfaction to the Cuban people.

We therefore arrive at a disparity in these situations for which we must find some solution. If we advance the price of Cuban sugar to a level that will carry out our assurance to the domestic producer this year and stimulate it for next year, we will be paying to the Cubans from one half to one cent a pound more than is necessary to maintain their production with fair profit. This will mean a toll to the American people of from \$20,000,000 to \$40,000,000.

The only solution that I can see — and I have consulted Dr. Taussig, who is in agreement — would be that we should, in order to secure foreign sugars generally in coöperation with the Allies, place ourselves upon the same footing as they by the purchase of foreign sugar for our government jointly. We should purchase in Cuba, Peru, Mexico, Java, or anywhere else at prices proper to the occasion and make an average price to our refiners. This next year the operation would show considerable profits. If this were done, we would need to secure from you, say, \$5,000,000 capital and to make a corporation to handle the details. The business would not be accompanied with risk, for it would be protected with contracts for both purchase and sale. Such an arrangement would save us from many of the great difficulties of our present sugar arrangements with American refiners and would gain in better handling of shipping over present arrangements.

*Second:* We have lost considerable sugar by submarines; the imports of Philippine sugar have been greatly curtailed by shortage of shipping; the Cuban crop has not come up to expectations; the French and Italians have lost considerable beet sugar by the German drives — all cumulating to shorten our supplies this year beyond expectations. In consequence we must by various devices gradually reduce sugar consumption from July first onward. Degeneration in sugar supplies is one of the marked features of every country and we must expect it

to go on through the war. Sugar is the one commodity that voluntary conservation does not sufficiently reach. I suppose the great sugar eaters are those of the least moral resistance in the community. Therefore we must put into effect some form of sugar rationing and a drastic control of distribution. Otherwise we shall have territorial and industrial injustices all over the country. I propose an honor system of cards. Any execution of this kind becomes at once expensive, for printing alone for 20,000,000 households will cost \$100,000 a month, to say nothing of supervision.

I would propose to solve this by having the corporation above referred to undertake the distribution of sugar as part of its expenses. It seems to me fundamentally sound that the users of a commodity should pay for the cost of its distribution rather than the Government.

The problem would probably arise as to the ultimate conversion of profits into the American Treasury as the profits on foreign sugar will greatly exceed the cost of distribution. It might be that the year following we would want to use the reserve thus created to stabilize sugar in the other direction by a larger proportion of imports, at a loss, from more distant markets if our shipping increases. If, at the end of the war, such a sum did exist, there should be no trouble in Congress finding a way to deal with it.

The Food Administration had not the authority to buy sugar directly under the Food Bill, but the great success of the Grain Corporation and the smoothness with which it has operated, the integrity with which it has been carried on, and the tremendous volume of its operations give a sound precedent to the feasibility of the operation. Our legal staff see no reason why it should not be undertaken by yourself from your emergency funds, as it is an issue of national importance. I should be glad to have your views on the subject.

In a letter to Mr. Hoover June 17, 1918, the President expressed his approval of the proposed plan. By virtue of the Sundry Civil Appropriation Act of July 1, 1918, the President of the United States was empowered to expend at his discretion \$50,000,000 "for the national security and defense and for each and every purpose connected therewith." Under the powers granted by the above Act, the President authorized<sup>1</sup> the formation of

<sup>1</sup> See Appendix, Exhibit 16, for letter of authorization, page 225.

a corporation to be known as the United States Sugar Equalization Board, Inc., and subscribed for the capital stock in the name of the United States. The Board was incorporated on July 11, 1918,<sup>1</sup> in the state of Delaware and the first meeting of the Board of Directors took place on July 18, 1918. The Food Administration issued the following notice on July 11, 1918, in relation to the objects of the corporation.

The purposes of the Board are to equalize the cost of various sugars and secure the better distribution. The arrangements will facilitate joint dealing with the Allies in foreign sugars and the adjustments of differentials in overseas freight rates. Under certain circumstances, it may be advisable to acquire the production of some beet-sugar factories that cannot under the present price of beets be sold to the public at a reasonable price. The Board will take charge of the distribution plan initiated on July 1, and will conduct this plan at the expense of the Board. The Board will be incorporated to the extent of \$5,000,000 of capital, which will be supplied by the President from his special funds, in order to enable it to deal with facility in foreign sugars and otherwise, and the whole stock will be held by the President for the United States Government. The object is to absorb the high peaks of cost in sugar production and to make a small margin on the low cost of certain foreign sugars which may be purchased, and thus secure an equalization of the price to the public on a lower level than will otherwise be possible. The arrangements will further secure an even distribution of the sugar throughout the United States. It is expected that any profit will be equalized to the consumer over the year's operations.

At the first meeting of the Board of Directors, July 18, 1918, at the offices of the Food Administration in Washington, D. C., the following officers were elected:

Chairman of Board of Directors  
President  
Treasurer  
Secretary

Herbert Hoover  
George M. Rolph  
Theodore F. Whitmarsh  
Robert A. Taft

<sup>1</sup> For certificate of Incorporation and By-Laws, see Appendix, Exhibits 14 and 15 (pp. 213-225).

An offer was accepted from Woodrow Wilson, the President of the United States, acting in behalf of the United States, to subscribe for and pay in cash for all the unissued shares of the capital stock of the company. The acceptance of this offer marked the end of the legal processes necessary to the incorporation and formation of the Board, and to the establishment of the corporation on a sound financial basis.

A résumé of the personnel of the Directorate of the Board may not be out of place at this juncture. The Chairman, naturally enough, was the Federal Food Administrator, Herbert C. Hoover; George M. Rolph, the president, had been chief of the Sugar Division of the Food Administration since its formation. Previous to his connection with the Food Administration he was general manager of the California and Hawaiian Sugar Refining Company at Crockett, California, and he resigned from this position in order to enter the national service without compensation. George A. Zabriskie of the Produce Exchange of New York City had been with the Food Administration since December 12, 1917, in charge of wholesale and retail flour distribution. On June 25, 1918, he was appointed Chief of the Distribution Division of the Food Administration and both flour and sugar distribution were attended to from his office. Wm. A. Glasgow, Jr. of Philadelphia had been connected with the Food Administration as its chief counsel since January, 1918. Dr. Frank W. Taussig, Professor of Political Economy at Harvard, was chairman of the Tariff Commission at Washington. Theodore F. Whitmarsh had been connected with the Food Administration since August 16, 1917. Clarence M. Woolley was one of the Directors of the War Trade Board. It will be noted that none of the Directors had any connection with the sugar trade and all, of course, served on the Board without compensation.

The legal preliminaries over, the next step was an

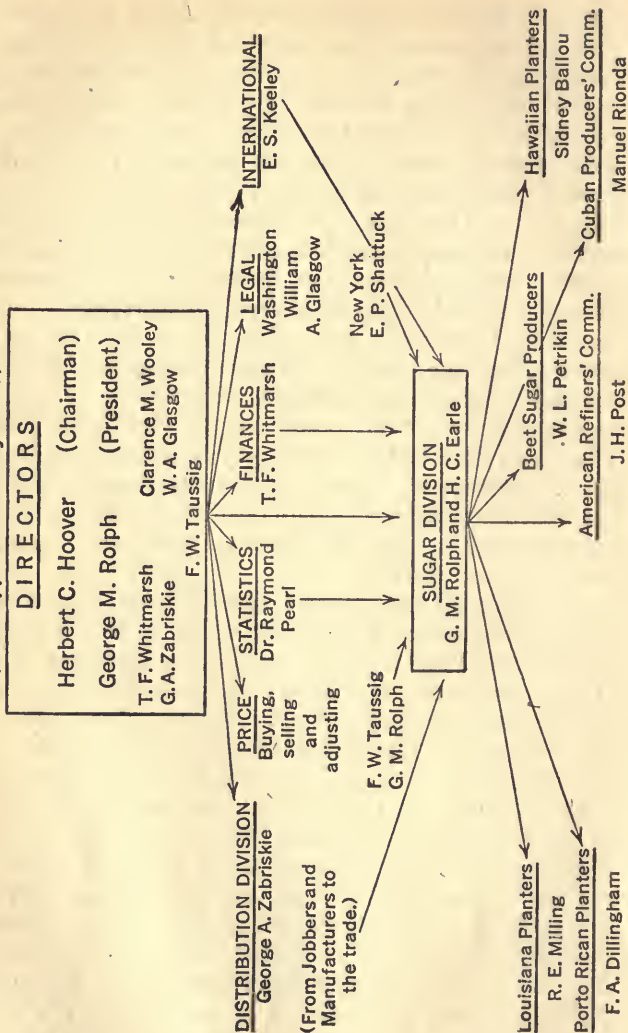


arrangement for an efficient organization to handle all the intricate detail necessarily involved in the control of an industry of nation-wide scope. The basic principle was the utilization of existing agencies previously created in the Food Administration dealing directly and indirectly with sugar problems. The chart on the following page gives graphically the general plan. The Cuban, the Hawaiian, the Porto Rican, the beet-sugar and the Louisiana producers all had previously had committees or representatives to act as media between themselves and the Food Administration, while the American Refiners' Committee, which had the task of carrying out the details of the provisions of the refiners' contract with the Food Administration, had functioned as the representative body for the American refiners. The Sugar Division of the Food Administration, headed by Mr. Rolph, who was at the same time President of the Board, occupied a central position in contact with the representatives of all the above producers, sugar manufacturers, and refiners.

This Sugar Division was the Clearing House where all problems were handled in relation to supplies, prices, and distribution of sugar from manufacturers and refiners. Important questions of general policy, which arose constantly, were referred by the Chief of the Sugar Division, Mr. Rolph, to Directors of the Sugar Board for decision. Problems of distribution from jobbers and wholesalers on to the retail trade were to be handled by the Distribution Division of the Food Administration under Mr. Zabriskie. Subsequently a "certificate" scheme of distribution was set up which involved the utilization of the offices of all State Food Administrators throughout the United States. In determination of policies, frequent recourse was essential to statistical data on costs of sugar production, supply and consumption of sugar in all the countries of the world, import and export data, etc. The Board utilized

# ORGANIZATION CHART OF UNITED STATES SUGAR EQUALIZATION BOARD, INC.

(As it appeared in July 1918)





for this the sugar section of the Statistical Department of the Food Administration, which had been created some time previously. Similarly, the Legal Department of the Food Administration was utilized for all problems in that field.

Thus in all domestic questions executive machinery already existent was utilized.<sup>1</sup> For problems international in scope the International Sugar Committee was utilized, an organization created in the latter part of 1917 to "promote harmony in buying and transporting raw sugar for the several allied belligerents, as well as in making allotments to neutrals."

<sup>1</sup> Such various special collateral agencies as the Joint Committee on West Indies' Transportation of the United States Shipping Board and the United States Food Administration, the Committee on Army and Navy Sugar Supply, the Division of Coordination of Purchase, etc., were all utilized in their respective fields.

## CHAPTER IV

### MOBILIZATION OF THE SUGAR INDUSTRY FOR 1919 AND SOLUTION OF THE PROBLEMS RELAT- ING TO PRICES AND DISTRIBUTION

#### *The Solution of the Price Problem*

THE directors of the Sugar Equalization Board began action looking towards an agreement on the price of sugar for 1919 by hearing the representatives of the various sugar producers. The Cuban Mission appeared before the directors of the Board on August 9 and maintained their position, as previously presented to the Food Administration, that a price of \$5.60 per 100 pounds was essential in order to yield a fair profit to the Cuban producer. The majority opinion of the directors of the Board was that \$5.25 per 100 pounds would be sufficient. No agreement was then possible on this basis, and the Cuban Mission was asked to report to the Cuban Government for further instructions. On the same day there appeared the representatives of the beet-sugar manufacturers, who presented figures of costs and requested a price for refined sugar at seaboard points of not less than 9 cents per pound. On the following day the representatives of the Hawaiian producers came before the Board, submitting cost figures and urging that the price of their raw sugar be fixed at not less than 7 cents per pound, but recommending that the price be fixed at  $7\frac{1}{2}$  cents. On August 16, the Directors heard the Louisiana producers, who urged that the

price of raw sugar be fixed at not less than 8 cents per pound.<sup>1</sup>

These hearings only served to emphasize what had already been made clear by the cost investigation made by the Food Administration and the Tariff Commission. The Cuban price of 5.60 cents per pound f. o. b. Cuban ports reflected a basic price for raw sugar of only 7.05 cents per pound at seaboard refining points, after freight, insurance, and duty were added. The resulting basic price for granulated sugar, after adding the refining margin of 1.54<sup>2</sup> cents, would have been 8.59 cents. The price of 7.05 cents for raw sugar might have been satisfactory to the Hawaiian, who had asked for a minimum price of 7 cents per pound, although even they had urged a price of 7.50 cents to maintain production, but would not have been satisfactory to the Louisiana producers, who had requested a price of 8 cents per pound for their raw sugar. The price for refined sugar of 8.59 cents would have been unsatisfactory to the beet-sugar producers, who had asked for 8.82 cents.

After some further negotiations with the Cuban Mission an agreement was reached. The contract<sup>3</sup> was closed on September 13, 1918, the price being \$5.50 per 100 pounds f. o. b. Cuban ports. The Food Administration announced that the purchase had been made on behalf of the American, English, French, and Italian governments, a departure from the preceding year's contract, when the purchase was made jointly by the United States and the Allies, acting through the International Sugar Committee.<sup>4</sup>

<sup>1</sup> The Porto Ricans did not send representatives to Washington, since they felt that any price basis established which would be suitable for the beet-sugar or the Hawaiian industry would be suitable also for the Porto Rican industry.

<sup>2</sup> Net cash basis.

<sup>3</sup> See Appendix, Exhibit 6, for text of this contract.

<sup>4</sup> In December, the United States Sugar Equalization Board transferred without recourse to the Royal Commission on the Sugar Supply, "an agency duly authorized to act and now acting in making this purchase on behalf of the Governments of Great Britain (not including Canada), France, and Italy," the rights of the Board to one-third of the raw sugar purchases from Cuba under the agreement noted above.

While the negotiations were being conducted with the Cubans, the question of refiners' margin was also being taken up. The report of Mr. Oscar Strauss, who had been appointed by Mr. Hoover earlier in the year to investigate the cost of refining, was submitted to the Board as a basis for a decision. Mr. Strauss had reported as follows:

(1) That the \$1.30 margin in existence from January 1 to July 1, 1918, gave a fair and adequate profit.

(2) That "if conditions should remain the same for the remainder of the year no additional margin would be justified, but that the possibilities of lack of raw sugar, increase of wages, and in cost of materials, fuel, and containers would have a bearing on the proper decision."

(3) "That since he could not decide upon the probability of these contingencies he referred the settlement of this matter to the Food Administration."<sup>1</sup>

The Board examined the figures submitted of increasing costs of labor and materials and of the probable amount of raw sugar available for melting in the period August 1, 1918–December 31, 1918. It was estimated that the amount of raw sugar available for refining for this period would be 813,676 long tons, an average of 162,735 long tons per month, as against a total of 2,138,954 tons or an average of 305,565 long tons per month for the period January 1–August 1, 1918. As matters actually developed, the amount refined in the period was 947,128 tons, which was 133,452 tons above the estimate,<sup>2</sup> but still much below the average of the first seven months of the year. The Board decided that an increase in margin was justified and on August 25, the Food Administration announced that, dating retroactively from August 1, the new margin would be \$1.45 per hundred pounds.

<sup>1</sup> News Release, No. 1151, August 25, 1918.

<sup>2</sup> This increase over the estimate is accounted for by the final outturn of the Cuban crop, which was 3,444,605 long tons, against Willett & Gray's estimate of 3,200,000 long tons.

With the price for new Cuban crop sugars and the refiners' margin decided upon, a minimum basic price for sugar was thus established, since the new Cuban price with duty, freight, and insurance added, plus the new refiners' margin, would net a price for refined sugar at seaboard point of 8.49 cents. This price would, of course, have been unsatisfactory to the domestic producers, beet and cane, since this price was 33 cents per hundred below the price requested by the beet-sugar producers and \$1.05 below the price requested by the domestic cane producers. Moreover, on the 8.49 basis there would have been no differential accruing to the Board for financing the distribution of sugar.

Accordingly the Board decided to adopt a basis of 9 cents for refined sugar for the whole country (8.82 net cash); the differential of 33 cents<sup>1</sup> per 100 pounds on foreign sugars to be turned over to the treasury of the Equalization Board. The whole plan was then as follows:

|   | CENTS NET CASH          |
|---|-------------------------|
| Basic price for refined sugar, cane and beet, 9 cents per pound . . . . . | 8.82                    |
| Refiners' margin . . . . .  | <u>1.54</u>             |
| Basic price for all raw sugars, paid to the Board by refiners . . . . .   | 7.28                    |
| Margin to the Board . . . . .   | <u>.33</u> <sup>1</sup> |
| Cost of raw sugar to the Board . . . . .                                  | 6.95                    |
| Freight, insurance, and duty . . . . .                                    | <u>1.45</u>             |
| Basic price for Cuban sugars f. o. b. Cuba . . . . .                      | 5.50                    |

An interesting feature in connection with the establishment of the uniform nine-cent price was the coöperation of the Sugar Board and the Food Administration in determining fair prices in the interests of cattle feeders for a by-product of the beet-sugar crop, the beet pulp. By no means a negligible factor in the

<sup>1</sup> As it actually turned out in 1919, the margin was increased to 38 cents, owing to some minor change in freight rates and insurance.



cost of beet-sugar production is the income from the sale of this by-product and unless some definite price was fixed for it, some beet-sugar producers, by raising the price to cattle feeders, could at will counteract the effect of the stabilized price for sugar, thus reaping unreasonable profits. Moreover the Food Administration was anxious to stimulate cattle raising in every possible way. After some conferences with the producers on the matter and statistical investigation of the cost of producing pulp, the Food Administration decided that 80 cents per ton for wet pulp and \$40 per ton for dry pulp would be considered fair prices, and producers were notified accordingly.

It is of interest to compare, as in the following table, the various prices actually obtained by the producers in the different sources of supply with the price they had originally requested and with the prices in effect the preceding year :

| SOURCE OF SUPPLY                        | PER CENT OF<br>TOTAL PRE-<br>WAR CONSUMP-<br>TION OF<br>UNITED STATES<br>SUPPLIED BY<br>EACH SOURCE<br>OF SUPPLY | BASIC PRICES<br>REQUESTED | BASIC PRICES<br>ACTUALLY<br>OBTAINED | BASIC PRICES<br>IN EFFECT<br>PRECEDING<br>YEAR |
|---|--|---------------------------|--------------------------------------|--|
|   |  | (In cents per<br>pound)   | (In cents per<br>pound)              |  |
| Cuba (raw sugar) .                      | 49.8   | 5.60                      | 5.50                                 | 4.60   |
| Hawaii (raw sugar)                      | 13.66  | 7 to 7.5                  | 7.28                                 | 6.005 <sup>1</sup>                             |
| Porto Rico (raw<br>sugar) . . . .       | 8.01   | 7 to 7.5 <sup>2</sup>     | 7.28                                 | 6.005 <sup>1</sup>                             |
| Louisiana (raw<br>sugar) . . . .        | 6.27   | 8                         | 7.28                                 | 6.35   |
| United States beet<br>(refined sugar) . | 15.97  | 9                         | 9                                    | 7.30   |

<sup>1</sup> This price was increased to 6.055 on June 24, 1918, owing to the increased cost of war risk insurance.

<sup>2</sup> No special price was requested but it was generally understood that the Porto Rican producers were well satisfied with the price requested by the Hawaiians.

On August 29, 1918, Mr. Hoover outlined the situation to the President of the United States and asked his approval of the general plan of action, in the following memorandum :

The Cuban Minister, representing the members of the Cuban Sugar Mission, has to-day offered to sell us the Cuban sugar crop for 90 cents per hundred pounds above the price of last year, being about \$5.50 f. o. b. Cuba. I am in favor of accepting the Cuban proposal, which is an even compromise between the extreme figures on both sides. In order to make sure that there is no misunderstanding in Cuba as to the operations which we are about to undertake and which I describe lower down, I have taken the attached letter from the Cuban Minister.

After duty, freight, refining, etc., this will result in a price of this sugar seaboard, ex-refinery, of 8.66 cents per pound.

I am and I think the country is generally convinced that unless the price of sugar is controlled it will, in the face of the present shortage, go up to 25 or 30 cents per pound from the 9 cents seaboard for refined that it can be held. As every cent is \$80,000,000 to our consumers, and confers extortionate profits on the producers and trade, I am sure we are right in rigid control. We have proved by a year's experience that the price can be controlled by a mixture of commercial operations and voluntary agreements.

As I explained to you in a previous communication, our problem is extremely complex this year, because of the greatly increased cost of production of our domestic sugar. The careful investigation of the beet industry by the Tariff Commission on our behalf shows roughly :

11½ cents per pound seaboard refined will be required to cover 100% producers, with a profit of 1 cent per pound to the high-cost producer.

9 cents per pound will cover about 85% of producers, with a minimum profit of 1 cent per pound.

8.66 cents per pound (the Cuban price) will cover about 72% the producers, with a minimum of 1 cent profit.

7.45 cents per pound (last year's price) will cover about 30% of the producers, with a minimum profit of 1 cent per pound.

Much the same economic situation applies to Louisiana sugar. If we make a price of 11.5 cents per pound, seaboard, for domestic sugars to cover all producers, we will have raised the price to the consumer by nearly 3 cents per pound. Also we will have given the low-cost producers a profit of several hundred per cent.

A further complexity arises from the fact that sugar is sold retail at the nearest one half cent per pound, *i.e.* 10, 10½, or 11 cents per pound. The wholesaler and retailer take 1½ cents per pound, and if the price, for instance, to the retailer is 9 cents, he takes 10 cents from the customer; if it is 9.15 he takes 10½. Therefore, it is little use to reduce the price so as to come out below certain even figures or one-half figures.

We consider it fundamental in these times of short shipping to maintain domestic production. Our plan is, therefore, a compromise on the whole situation as follows:

First, we propose to make the price of refined, seaboard basis, 9 cents per pound. The Sugar Equalization Board will buy the Cuban crop and resell it to the refiners at a profit of about 36 cents per hundred, after equalizing sea freights to different ports, thus leveling the Cuban price up to 9 cents, and we will make this 9 cents seaboard the basis of domestic sugars as well.

This will result in: (a) An increase to the consumer of about 1 cent per pound instead of 3 cents; (b) a loss to some 15 or 20% of the beet and Louisiana producers.

Out of the profits on Cuban sugar we propose to compensate losses to these particular producers. It will eventuate that at even 9 cents some domestic producers will make extortionate profits, but they will be fairly well taken care of by the excess profits tax.

There is one feature of these operations by the Equalization Board that I am anxious shall be clearly understood by you, and that is the large sums that will accrue to it by our present programme. We shall probably make \$15,000,000 on the 36 cents from the Cuban crop. In addition to this, the Sugar Equalization Board, as I mentioned to you, is now in effect taking over the present stocks of sugar in refiners' hands, in order that when we increase the price of sugar by 1 cent per pound in the course of the next few days, there shall not rest in the hands of the American refiners the large sums of money to be earned from stocks purchased at lower levels, and the Equalization Board may have an income from this source of as much as \$10,000,000.

Furthermore, in line with the policy that we should sell export commodities at prices to neutrals somewhat commensurate with the prices they are charging us for shipping and other commodities, and to cover their depreciation of our money, the Equalization Board will earn considerable profit from such exports of sugar to neutrals as we make during the next year. It is possible that the net profits of this Board may, during the next twelve months, accumulate to as high as twenty-five millions of dollars above the compensation given to domestic producers, and I mention this for your approval against any criticism that might arise from

it. This money will, of course, ultimately need to be either distributed to consumers by some device or converted into the Treasury by some arrangement.

During the past year we have had a great deal of difficulty in sugar distribution for the lack of adequate stocks in the United States. Owing to financial and other conditions, the refiners have not been disposed of their own interests to carry such stocks and every fluctuation in the shipping condition jeopardizes our distribution. I am anxious to build up at least a sixty-day stock in the country, and our first use of the profits of the Equalization Board would be to secure such a stock. It may be that later in the year, when we know our profit position with accuracy, we can work out some device for a redistribution of these profits to the consumer.

I have had the advantage of the advice of Messrs. Taussig, Rolph, Whitmarsh, Zabriskie, Glasgow, and Woolley, all of whom I esteem as men of the first quality of commercial experience and ability.

I would be glad to know if the above plan meets with your approval. It may be necessary for us to vary it in detail as is essential.

In a note to Mr. Hoover on Sept. 2, 1918, the President expressed his approval of the Board's plans.

The only remaining problem was to find a suitable date for putting the new plan into operation. Since the new crop of Cuban sugars would not be available till December, there was sufficient time to work out all details of the agreement with the Cubans. But the new beet sugar was already available in the West and it was essential, particularly in view of the scant supplies in the country, to make an agreement with the beet-sugar producers in order that the 1918-19 crop might be freely available for distribution. Obviously, until this agreement was reached and the new price basis established, beet-sugar producers could not ship their sugars. To put the new price into operation immediately involved having the "new domestic crop at the new price and the old foreign crop at the old price in the market at the same time."<sup>1</sup> To avoid this the

<sup>1</sup> News Release, No. 1151, August 25, 1918.



Board decided to purchase all sugars in the refineries and cane- and beet-sugar mills of the United States, including all sugars in process or in transit, at the old price of 6.055 cents per pound for raw sugar and 7.35 cents for refined sugar and immediately to resell these sugars to the holders at the new price of 7.28 cents for raw sugars and 8.82 cents for refined sugars. The refiners were to be allowed the increased margin of 15 cents on all sugars delivered and invoiced from August 1 to the date when the new price was to go into effect. Through this proceeding, the profit which would otherwise have been made by the refiners and beet-sugar producers through purchase at the old price and sale on the basis of the new price, was to be absorbed by the Sugar Equalization Board. The date of this change was to be announced at a future date.

On September 6, 1918, the Food Administration announced that the change would become effective on Monday morning, September 9. Wholesalers and retailers were warned not to average their prices, but to sell upon the old basis until their stocks of the lower-priced sugars were exhausted. From September 9 till the end of the year, the refiners purchased all their sugars from the Sugar Equalization Board at a price of 7.28 cents per pound. The Board absorbed the differential of 1.225 cents per pound between this price and the 6.055 cents per pound, the duty-paid price for raw sugars of the 1917-18 crop.

As a result of these various activities, the Board drew revenue from three general sources :

(1) It obtained a differential between the old and new price on the refiners' and beet-sugar manufacturers' inventory of raw and refined sugar of September 9, 1918.

(2) It obtained a differential between old and new price on all arrivals of old crop cane sugars after September 9, 1918.



(3) It obtained a differential of 38 cents<sup>1</sup> on all new crop foreign sugars (which began to arrive in December, 1918) between the duty-paid price of \$6.90 per hundred pounds for Cuban raws and the price to refiners of \$7.28. This differential would have otherwise gone to the Cuban producers or refiners.

*The Agreement with the Producers and the Refiners*

Once having disposed of the price problem, the road was cleared for the execution of agreements with the various producers. The agreement<sup>2</sup> entered into on October 24, 1918, between the Sugar Equalization Board and the Cuban Commission and the agents of the Cuban producers contained the following provisions:

(1) Sugars were to be purchased for shipment to the United States at the price of 5.88 cents<sup>3</sup> per pound "cost and freight" to New York or Philadelphia.

(2) Sugars were to be purchased for shipment to the United Kingdom, France, and Italy at a price of 5.50 cents per pound f. o. b. northern ports or 5.45 cents per pound f. o. b. southern ports.

(3) Shipments of sugar were to be made immediately after the beginning of the crop, not less than 2 per cent of the amount to be shipped in December, 1918, and the remainder in approximately equal monthly shipments from January to November, 1919.

(4) Provisions were made in the agreement for brokerage, marine insurance, lighterage, and so forth.

By this contract the Board had insured ample supplies of raw sugars for the United States and the Allies. The second step was to arrange for an equitable distribution among the principal governments associated in the war

<sup>1</sup> See footnote, page 53 for explanation of change from 33 cents to 38 cents.

<sup>2</sup> See Appendix, Exhibit 6, for text of this agreement, page 160.

<sup>3</sup> This price was based on the freight of 38½ cents per 100 lbs. from north side ports west of and including Caibarien to New York or Philadelphia. The differentials between this freight rate and the rate to Boston or Southern ports were to be added to or subtracted from the basic price of 5.88 cents.

against the Central Powers. In the previous year the Allies had been allotted one-third of the Cuban crop, which amounted to 1,076,934 long tons.

Although it was generally assumed that the Cuban crop for 1919 would be considerably above the 1918 crop, the Board deemed it advisable to assign to the British Royal Commission only one-third of its rights to the exportable crop, since it was felt that in view of a possible rebound from the restrictions in effect during the war, the consumption might increase heavily in the United States. An assignment<sup>1</sup> was therefore drawn up in December, 1918, by virtue of which the British Royal Commission agreed to assume all duties and obligations of the contract, without recourse to the United States Sugar Equalization Board, and to act on behalf of the Governments of Great Britain (excluding Canada), France and Italy. Inasmuch as the refining capacity of the United Kingdom was not sufficient to refine this large quantity of sugar, the Royal Commission was given the right, at its option, to have a portion of its share of the Cuban crop shipped to the United States and refined.

The next step was to make arrangements with the refiners of the United States to refine the raw sugars which had been purchased by the Board. An agreement,<sup>2</sup> dated October 24, 1918, was entered into between the Equalization Board and the Food Administrator and the refiners of the United States, the chief provisions of which were as follows:

(1) The refiners agreed not to purchase any sugar for delivery during 1919, except from the Equalization Board.<sup>3</sup>

(2) The allocation of sugar to the different refineries

<sup>1</sup> See Appendix, Exhibit 11, for full text of this assignment, page 202.

<sup>2</sup> See Appendix, Exhibit 8, for full text of this agreement, page 176.

<sup>3</sup> Except such sugars of the 1917-18 crop as were provided for under the agreement of the previous year and Hawaiian sugars contracted for by some of the Eastern refineries.

was to be based on a percentage scale, which was incorporated in the agreement.

(3) The American Refiners' Committee, created under the terms of the first contract between the government and the refiners, was continued to direct the distribution to refineries of the sugar obtained by the Equalization Board.

(4) The refiners agreed to sell all their refined sugar at a price not to exceed 1.54 cents per pound above the price paid for raw sugar to the Equalization Board.

(5) The Equalization Board agreed to supply the refiners with their requirements of raw sugar for 1919 at a price of 7.28 cents per pound.

(6) In event of a decrease in the price of sugar in 1919, the Board agreed to pay the refiners the amount of their loss; in the event of an increase in the price of sugar, the refiners agreed to pay the Board the amount of their gain.

By virtue of this contract, the Board provided for refining the raw sugar it had purchased for its own account. In order to provide for the refining of the sugars of the British Royal Commission, an option was given by the refiners of the United States, with the approval of the Board, to have refined 321,000 tons of raws (300,000 tons of refined) at the rate of 27,275 tons of refined per month, beginning February 1, 1919.<sup>1</sup>

All of these arrangements were in relation to the foreign supplies of raw sugars. In order to prevent difficulties which might result from the competition of the foreign and domestic sugars, it was necessary to provide machinery of control over the domestic producers. On September 18, 1918, an agreement<sup>2</sup> with each individual beet-sugar producer was entered into by Mr.

<sup>1</sup> This option was later raised to 535,000 tons of raw sugar, but owing to the unusual conditions in the last quarter of 1919, part of this amount was canceled and only 512,000 tons were actually shipped. See Appendix, Exhibits 12, 13, and 23 for details of these arrangements.

<sup>2</sup> See Appendix, Exhibit 9, for text of this agreement, page 188.

Herbert C. Hoover, the United States Food Administrator, as had been done in the previous year. The main provisions of these uniform agreements were as follows:

(1) A central "Sugar Distributing Committee" was created to "direct the distribution of the beet-sugar crop in the most economical and efficient method consistent with an equitable distribution of sugar where needed throughout the United States."<sup>1</sup>

(2) Every producer agreed to abide by the rules and directions of the Sugar Distributing Committee and to sell at a price not to exceed the basic maximum price of 9 cents per pound at seaboard refining points.

(3) The Sugar Distributing Committee was empowered to make a final settlement to individual producers at the close of the crops based on the "average net proceeds per pound of sugar resulting from the sale of all sugars,"<sup>2</sup> of the 1918-19 crop.

An agreement<sup>3</sup> of the same character as that with the beet producers was entered into by the Food Administrator and the Louisiana cane-sugar producers. A committee, called the Louisiana Sugar Committee, was created to direct the distribution of Louisiana sugar, under the supervision of the Food Administration. The basic price for raw sugar at customary Louisiana refining points was not to be "greater than the price which may be found to be just and fair by the United States Food Administrator and not less than the price of duty-paid 96 degree Cuban raw sugar delivered at such refining points."<sup>4</sup> The minimum basic price for Louisiana raws was thus established at 7.28 cents per pound. The basic price for Louisiana refined sugar was to be the price determined by the Food Administrator "under

<sup>1</sup> Agreement with the U. S. Food Administration as to sale and distribution of beet-sugar crop 1918-19, page 6. (See Appendix, page 188.)

<sup>2</sup> *Ibid.*, page 5.

<sup>3</sup> See Appendix, Exhibit 10, for text of this agreement, page 195.

<sup>4</sup> Agreement with the United States Food Administration as to Louisiana Sugars, page 5.



provisions of his uniform contracts with the sugar refiners of the United States, dated October 1, 1917." For the Louisiana crop of 1918-19, this arrangement meant a basic net cash price of 8.82 cents per pound. Price differentials were established in the agreement for the many different grades of so-called "direct consumption" sugars manufactured in Louisiana.

*Solution of the Problems Relating to Supply and Distribution*

The Food Administration began activities aiming at an effective control of distribution in the spring of 1918. On May 4 it announced<sup>1</sup> that all manufacturers using sugar, with the exception of those making essential food products,<sup>2</sup> were to be restricted to 80 per cent of the preceding year's requirements. Manufacturers who began business or enlarged their capacity after April 1, 1918, also all manufacturers of nonedible products, with certain exceptions,<sup>3</sup> were to receive no allowances of sugar. The restrictions were to be made effective through the use of a certificate system controlled by the Federal Food Administrators of each state, who were to issue certificates to all manufacturers upon receipt of sworn statement as to requirements. No sugar manufacturer or distributor was to deliver sugar to any one without first receiving certificates. All these regulations were to apply to the period from May 15 to July 1. On June 1, 1918, the Food Administration announced<sup>4</sup> "that manufacturers who now have on hand sugar that, when added to the amount already used this year, will bring their quota above 80 per cent of the amount used from January to July, 1917, must turn over the excess

<sup>1</sup> News Release, No. 916.

<sup>2</sup> Included under this head were commercial fruit preservers and packers of vegetables, milk condensaries, jam manufacturers, ice cream manufacturers (to encourage maintenance of milk production).

<sup>3</sup> These exceptions were manufacturers of tobacco, explosives, and drugs.

<sup>4</sup> News Release, No. 985.



to their administrators at once, or be prosecuted as hoarders."

The second step in the process of obtaining control over sugar consumption was the division of all users of sugar into five classes, denoted as A, B, C, D, and E. Class A comprised all non-essential industries. These were to be restricted for the period July 1-September 30 to 50 per cent of their consumption in the corresponding months of 1917.<sup>1</sup> Class B included all the industries using sugar for preserving and canning fruits and vegetables, that is, the essential food industries. These were to be allowed their full needs. Class C included all public eating places regularly serving 25 persons or more. These were to be allowed 3 pounds of sugar for every 90 meals served in the third quarter of 1917.<sup>2</sup> Class D included all manufacturers of baked goods, who were to receive 70 per cent of their 1917 consumption. Finally, Class E included retailers and all dealers selling sugar for direct consumption, who were to be allotted their requirements based on three pounds per customer per month. This plan directed from Washington was put into operation by the State Food Administrators through the use of certificates. The retail grocer and the other classes of businesses described above received from their State Food Administrators "Sugar Distribution Certificates" of different quantitative denominations, covering their sales of sugar to different types of customers. These certificates passed from retailer to wholesaler and from wholesaler to refiner or beet-sugar manufacturer, unless, of course, the retailer bought directly from the refiner or manufacturer of sugar. The refiner or manufacturer then returned these certificates to the State Food Administrators who had issued them.

<sup>1</sup> Manufacturers of milk chocolate, however, could use 75 per cent of the amount of sugar used during the third quarter of 1917 for condensed milk.

<sup>2</sup> The month of June, 1918, could be used as a basis instead of the third quarter of 1917.

The whole plan thus involved the creation of a clerical staff in each state to attend to the issue and cancellation of certificates and a considerable expense was thus imposed upon the offices of the State Food Administrators. This expense was assumed by the United States Sugar Equalization Board when it undertook the control of the entire plan shortly after its incorporation. One of the directors of the Board, Mr. George A. Zabriskie,<sup>1</sup> had already been appointed to take charge of the wholesale and retail sugar distribution for the United States and the Board assumed financial control as well.

The whole scheme under the Board's jurisdiction worked out about as follows:

(1) The President of the Board constantly communicated with the Cuban Producers' Committee and with the Allies, through the offices of the International Sugar Committee,<sup>2</sup> and determined the amount of the Cuban 1917-18 crop available for distribution to the United States after the allied requirements had been met. From the Statistical Departments of both the International Sugar Committee and the United States Food Administration and from representatives in each locality he received information as to the amount of sugar available from other than Cuban sources of supply: Porto Rico, Hawaii, Philippines, etc. The Army and Navy, the Red Cross, the Belgian Relief, the Y. M. C. A., Knights of Columbus, and other relief organizations advised him of the amount of sugar they would require, and finally the United States Shipping Board advised him of the amount of shipping tonnage that could be utilized to transport sugar to the United States. It was thus possible to approximate the amount

<sup>1</sup> Mr. Zabriskie had been in charge of flour distribution and on June 25, 1918, the Food Administration announced that both flour and sugar wholesale and retail distribution would be attended to from his office, as the distribution division of the Food Administration.

<sup>2</sup> This was the organization created in December, 1917, to allocate the 1917-18 Cuban crop among the Allied Governments and to the various refiners of the United States.

available for civilian sugar distribution in the United States for each month.

(2) A scheme of equitable allocation to individual states was then worked out based on the population of each state, the normal needs of each state,<sup>1</sup> and the normal sugar deliveries into each state.<sup>2</sup>

(3) Each State Food Administrator then was notified as to the amount available for distribution for his state each month for all civilian purposes. The details of the distribution within the state under the certificate scheme were left to the discretion of the State Food Administrator.

By virtue of agreements entered into by the Food Administrator with the Louisiana sugar producers and the beet-sugar manufacturers, central distributing committees were created to handle the distribution of the new crop sugars under the direction of the Sugar Equalization Board in accordance with requirements for the economic and equitable distribution for the country as a whole, while through the agreement with the cane-sugar refiners, the Board was able to direct the movement of sugar leaving the refineries. Thus it was possible to move sugars at any one time from regions of plenty to regions of scarcity, any unusual expenses incurred in such movements being met out of the funds of the corporation. In practical operation it was found essential to divide the country into zones of distribution, each zone being supplied from the nearest and most effective sources of supply.<sup>3</sup>

<sup>1</sup> Including the requirements of its industries as determined from statistical investigation by the State Food Administrators.

<sup>2</sup> As reported by refiners and beet-sugar manufacturers to the Food Administration.

<sup>3</sup> The rules and regulations issued from time to time to beet-sugar factories, refiners, and Louisiana producers relative to distribution are too many to discuss in detail here. Briefly, however, the general plan was to increase the territory of the beet-sugar producers as increased beet-sugar supplies became available, while at the same time decreasing the territory in which cane-sugar refiners or Louisiana producers could sell their sugars, thus husbanding the available supplies in regions of greater relative scarcity.

The scheme as outlined above was extremely effective in the creation of a rigorous yet elastic control over sugar consumption and distribution. The sugar ration for household use and the allowances to the various industries were changed from time to time as the outlook for available supplies and shipping tonnage changed. Thus for the period from August 1 to November 1, 1918, the household ration was fixed at 2 pounds per person per month, while for November it was increased to 3 pounds. The signing of the armistice made it unnecessary to continue rigid control and the certificate scheme was abandoned on December 1, 1919. More drastic restrictions of non-essential industries were contemplated from November 1 on, some of which were put into effect for November, but the signing of the armistice rendered such action undesirable.





PART II  
THE RECONSTRUCTION PERIOD



## CHAPTER V

### ATTEMPTS AT "DEMOBILIZATION" OF GOVERNMENT CONTROL OF THE SUGAR INDUSTRY

It will be noted that the signing of the armistice in November came but a few months after the various agreements with the producers, the creation of a new price basis, and the establishment of an effective control of distribution. Sufficient time had elapsed, however, to prove the practicability and soundness of the plan of dealing with all sugar problems through a Government corporation.

With the war over, the general policy of the Government and the logical procedure, at any event, was to demobilize all organizations which had been created for war purposes. The attitude of the Directors of the Board was expressed in a resolution adopted at a meeting held on January 22, 1919, which was as follows:

In view of the fact that the regulatory conditions now in effect were entered into with the expectation of the continuance of war conditions and were not expected to be maintained through a long period of peace conditions, and in view of the change in conditions since the armistice, a return of free market conditions in sugar would be welcomed by the Board.

In harmony with the above resolution, a committee was appointed to ascertain whether any progress could be made in restoring normal conditions in the trade. It was soon discovered, however, that the sugar industry was unwilling, in view of all the uncertainties of a reconstruction period, to assume the responsibilities

of the Board's contracts, if accompanied by necessary restrictive measures against exorbitant profits. No immediate withdrawal of control was therefore possible and the Board then was obliged to adopt the policy of gradually removing, step by step, the various restrictions on the trade.

Just at this time a reorganization of the Board was effected. Since the first organization, there had been but one change in the Directorship. Mr. James F. Bell, formerly of the Milling Division of the Food Administration, was elected Treasurer of the Board on November 4, 1918, to take the place of Mr. Whitmarsh, who resigned that office on that date. But after January 15 several notable changes occurred.

First of all on January 22, 1919, the Directors authorized the Treasurer to move to New York as much of the business organization as possible. Inasmuch as most of the work of the Board for 1919 was to be in relation to the refiners' and Cuban contracts, it was inevitable that the executive offices should be shifted to New York. Several changes followed in the form of organization. The most important was the liquidation of the International Sugar Committee, which was replaced by the executive organization of the Sugar Equalization Board itself. Mr. E. S. Keeley,<sup>1</sup> formerly Secretary of the International Sugar Committee, was made General Manager and Assistant Treasurer of the Board. On January 22, Mr. Bell tendered his resignation both as Treasurer and Director, which was not accepted by the Board till February 12, 1919, and did not become effective till April 19. The following

<sup>1</sup> On August 1, 1919, Mr. Keeley died suddenly following an operation for appendicitis. His service had been continuous ever since he became Secretary of the International Sugar Committee on February 9, 1918. His death was a serious loss to the Board, owing to his experience in dealing with problems relating to the Government control of the sugar industry. For the balance of the year, Mr. E. H. Costello, chief of the Raw Sugar Department, handled most of the problems previously under Mr. Keeley's jurisdiction. A greater burden was also imposed upon the executive officers of the Board, all of whom, of course, served without compensation.

expression of appreciation was extended to Mr. Bell by the Directors of the Board and spread upon the records:

In accepting the resignation of Mr. James F. Bell as Treasurer the Board wishes to put on record its high appreciation of his services. After long and exacting labor as Chairman of the Milling Division of the Food Administration, Mr. Bell consented to continue his voluntary labors by accepting the Treasurership of this Board. His wide experience, his business ability and sagacity, his ripe judgment have been as helpful in this part of the Food Administration's work as in his previous position. He has organized the financial system of this Board, and has contributed greatly to the wise consideration of its general problems. His service to the country has been without break through the war period, and has been of distinguished character.

On January 30, 1919, the President, Mr. George M. Rolph, tendered his resignation both as President and Director, to take effect not later than February 15. The sincere regret of the Board at his resignation was manifested in the following expression of appreciation.

In accepting the resignation of Mr. George M. Rolph from the Presidency, this Board wishes to put on record its high appreciation of the services he has rendered to the Food Administration and the Sugar Equalization Board, and thereby to the country. Mr. Rolph entered the Food Administration immediately on its establishment in July, 1917, severing all his business connections and devoting all his time and energy, at great personal sacrifice, to the difficult problem of regulating this part of the food supply. He has remained at his post, without rest or relaxation, throughout the period of war. His intimate acquaintance with the industry, his unfailing attention to every detail, his wide experience and sound judgment, proved invaluable, and were prime factors in enabling the Food Administration to conserve the sugar supply and to regulate price and distribution with success. He has continued to serve with the same fidelity and success on this Board. While admitting that there is no longer ground for calling on him for continued sacrifices, and reluctantly parting with him, the Board congratulates him and his country on the patriotic spirit with which he has served.



The resignation of Mr. Rolph left the Board without a President. On February 12, Mr. George A. Zabriskie was elected President of the Corporation to succeed Mr. Rolph, and Mr. Whitmarsh was elected Vice-president. On April 16, Mr. E. A. De Lima was elected Treasurer following Mr. Bell's resignation and on March 18, 1919, Mr. Edgar Rickard, acting for the Food Administrator, who was then abroad, was elected a Director to fill the vacancy in the Directorate due to Mr. Rolph's resignation. There were no other changes thereafter, except that on May 22, 1919, Mr. Edwin P. Shattuck was elected a Director of the Corporation.

With the Directorate and the executive organization thus reorganized, and the offices of the Board moved to New York, all was prepared for meeting the problems of 1919. -

### *Removal of Restrictions on Sugar Consumption*

Some time previous to the above reorganization of the Board the first step in the process of liquidation was taken in the removal of restrictions on consumption. This action was essential not only because it was consistent with the policy of the Government to remove all restraint as soon as possible, but also because the balance of world supply and demand appeared to require it.

It was impossible, of course, to predict precisely what the available supplies would be and what the consumption would be for the year. Countries, such as Germany and Austria, which had curtailed production owing to the exigencies of the war, might be expected to approximate normal production within six or seven months and, on the other hand, countries, such as the United Kingdom, which had reduced consumption severely owing to the emergencies of the war might be expected to resume consumption at a normal rate. The Cuban crop, which was counted upon to produce 4,000,000 tons, might

through unfavorable weather conditions have dropped to 3,500,000 tons.<sup>1</sup>

Mr. Hoover, in his address to the State Food Administrators on November 12, 1918, gave the forecast as follows:

It is very difficult to forecast with any degree of accuracy the position of sugar. At the present moment all Europe and North America are living on much restricted allowance. Our assured supplies under the purchases we have made are the largest per capita in the world. This is not greediness, for we have throughout the war asked our Allies to supply themselves first and we would do with the remainder. They have sacrificed sugar to provide ships for other purposes. If we assume that Europe will continue on present rations, then the world supplies, now enlarged by rendering Java sugar available, are sufficient to provide our entire normal consumption. If Europe raises its ration very considerably, there will be a shortage.

The Food Administration has protected the fundamental supply to the American people by purchasing, in conjunction with the Allies, the next Cuban sugar crop. We have made such arrangements with the various refiners and producers in the United States and with other producers as will assure a price of nine cents a pound wholesale for sugar during the next twelve months. This price compares with from twelve to twenty cents a pound in the other sugar-importing countries.

As the result of these arrangements and the fact that Eastern sugars will be available, we will need little or perhaps no restraint on consumption after the new Cuban crop is available, unless, as I have said, the other governments in the world decide to considerably increase their present rations. I do not think our people would want us to maintain an extravagant and luxurious use of sugar in soft drinks and confectionery when there was an actual hardship for the necessary sugar for household use in other countries. With the present world outlook, we are taking steps to relax the restrictions which it was necessary for us to impose on consumption when we based the outlook for the whole of Allies' supplies directly on North American sugar alone.

The experts in the sugar trade varied in their estimates of the future, but nearly all urged that the restrictions

<sup>1</sup> Just such an unfortunate development has been experienced this year, the 1919-20 crop being reported reduced from an earlier estimate of 4,500,000 tons to 3,750,000 tons.

on sugar consumption in the United States which were in effect at the time of the armistice should be removed.

The statistical position was also of a nature to warrant the removal of restrictions. The following table indicates the world's sugar position as it appeared at that time:

#### OUTLINE SHOWING WORLD SITUATION FOR 1919

Unit: Short Tons

|  |           |         |
|--|-----------|---------|
| Estimated exportable surplus of Western Hemisphere for 1919 . . . . .  | 2,028,000 |         |
| Estimated necessary imports of United Kingdom, France, Belgium, Italy, in 1919 . . . . .   | 2,546,000 |         |
| Required for above Allies in 1919 to be obtained from sources outside Western Hemisphere . . . . .   | 518,000   |         |
| Required for the rest of Europe (taking into account the following countries: Russia, Holland, Germany, Austria-Hungary, Sweden, Spain, Denmark, Norway, Switzerland, Roumania, Serbia, Bulgaria, Greece, Finland, and Portugal) . . . . . | 925,000   |         |
| Total required for all Europe to be obtained from sources outside Western Hemisphere . . . . .   | 1,443,000 |         |
| Available from sources outside Western Hemisphere — from Java 1918-19 crop <sup>1</sup> . . . . .  | 450,000   |         |
| From Mauritius <sup>1</sup> . . . . .  | 220,000   |         |
| From Philippines <sup>1</sup> . . . . .  | 125,000   |         |
| From Réunion . . . . .   | 35,000    |         |
| Total . . . . .  |           | 830,000 |
| Deficit . . . . .  |           | 613,000 |
| Excess of world "carry over" stocks of sugar above normal needs, resulting from the war shipping situation — (mainly in Java) . . . . .  |           | 900,000 |
| Net world surplus for 1919 . . . . .   |           | 287,000 |

The above statistical analysis, while showing the world position, did not indicate the special situation of the United States. A study of the probable supplies

<sup>1</sup> Amount available after deducting usual exports to countries outside of Europe and Western Hemisphere.

and consumption for the United States, made at this time, revealed the following situation:

AVAILABLE SUPPLIES FOR 1919 IN THE UNITED STATES

| SOURCE  | SHORT TONS RAW<br>OR REFINED | SHORT TONS<br>REFINED |
|---|------------------------------|-----------------------|
| From Cuba <sup>1</sup> . . . . .                            | 2,460,000                    | 2,290,000             |
| From Hawaii . . . . .                                       | 554,000                      | 516,000               |
| From Porto Rico . . . . .                                   | 404,000                      | 376,000               |
| From Philippines . . . . .                                  | 81,720                       | 76,000                |
| From miscellaneous foreign<br>sources . . . . .             | 24,950                       | 23,200                |
| From domestic cane (mostly<br>direct consumption) . . . . . | 245,000                      | 245,000               |
| From domestic beet . . . . .                                | 737,000                      | 737,000               |
| Total all sources . . . . .                                 | 4,506,670                    | 4,263,000             |
| Prewar consumption . . . . .                                |                              | 3,920,000             |
| Record consumption . . . . .                                |                              | 4,160,000             |
| Surplus consumption for 1919 above prewar normal usage      |                              | 343,000               |

All available evidence, therefore, indicated the advisability of the gradual removal of the restrictions on consumption. A contributory influence was the pressure from the country generally to demobilize all war organizations. The Food Administration scheme of restriction on sugar consumption involved the upkeep of an organization in every state to handle the details of the rationing system. No one could then have justified its existence in the face of indisputable statistical and expert evidence that it would not be required; yet, as the condition of abnormal demand developed after June, 1919, the value of this restrictive mechanism became manifest.

At a meeting of the Board of Directors on November

<sup>1</sup> Amount available for the United States after deducting portion of crop to be shipped to Europe and Canada.

12, 1918, the Chairman of the Board was empowered to relax the restriction on domestic consumption to the extent that he deemed safe. The first step was to relieve the housewife, and the household ration was therefore increased, while the entire certificate plan was abandoned on December 1, 1918. In order to provide for the Eastern States until new crop cane sugar could arrive, it was necessary to restrict deliveries from North Atlantic refineries to the territory east of the Buffalo-Pittsburgh line and 80th meridian and north of the Virginia-North Carolina boundary, until January 20, 1919. On January 26, 1919, all remaining special regulations governing manufacturers and refiners of sugar were annulled, and after this date manufacturers and refiners were subject only to the general regulations for licensees under the provisions of the Food Control Act and to those restrictions embodied in the contracts existing between them and the United States Food Administration and the United States Sugar Equalization Board.

### *Arrangements for Exports*

The second step in the process of returning the sugar market to normal conditions was the provision made for exports of sugar from the United States. Ever since September, 1917, the War Trade Board had maintained an export embargo on sugar and this body cooperated with the Food Administration in limiting exports during 1918 to the Allies and, in special cases, to certain neutrals. Between the outbreak of the Great War and September, 1917, the refiners had developed a large export trade, mainly because of the blockade of the Central Powers, which countries had a large beet-sugar export trade in prewar times. The following figures indicate the changes in the sugar export trade of the United States from 1914 through 1918:



| FISCAL YEAR<br>ENDING JUNE 30 | QUANTITY EXPORTED<br>(Short Tons) |
|-------------------------------|-----------------------------------|
| 1914 . . . . .                | 25,448                            |
| 1915 . . . . .                | 274,504                           |
| 1916 . . . . .                | 815,075                           |
| 1917 . . . . .                | 624,454                           |
| 1918 . . . . .                | 288,208                           |

With the war over it was advisable to restore the large export trade in order that the refineries of the United States should be utilized at full capacity, thus giving continuous employment to American capital and labor. The arrangements by which 535,000 tons of raw sugars out of the allied portion of the Cuban crop were to be refined on toll in the United States have been explained above. This transaction, in itself, was of sufficient magnitude to approach the level of the previous record years for exports.

But with most of the world on short rations, it was to be anticipated that there would be heavy pressure by European countries upon the United States and Cuba for supplies during 1919 in addition to these toll sugars. The pressure upon Cuba was in evidence early in the year. The contract with the Cuban Commission for the purchase of the Cuban crop provided for the sale to the United States Sugar Equalization Board of all raw sugar in the island of Cuba except that actually used for local consumption in Cuba. But in January, 1919, the Cuban Government asked that some provision be made for the sale of small quantities of sugar to certain governments, such as Uruguay, "as a matter of courtesy and good will for the disinterested coöperation which the government (Cuban) has given in the matter of Cuba's sugar production for the Allies."

The Board was anxious to allow an ample margin of supplies above the normal consumption of the United States, but on the other hand, inasmuch as Cuba was the great reservoir for the world's sugar supply, it was

evident that injustice would be done if other countries could not obtain even their small quantities of Cuban raw sugars out of the record crop of 1918-19.

On February 6, 1919, the Board issued the following notice:

At the earnest request of the Cuban Government the Equalization Board has appointed a Committee, to be known as the Cuban Export Committee, consisting of Mr. Robert B. Hawley, Mr. Manuel Rionda, members of the Cuban Commission, and Mr. Edwin P. Shattuck, to act in behalf of the Equalization Board in the matter of shipments of raw sugar direct from Cuba to nations other than the United States and those represented by the Royal Commission on the Sugar Supply.<sup>1</sup>

Exports by the Committee will be regulated from time to time by the United States Sugar Equalization Board, Inc., and will be dependent upon the national requirements of the United States, due regard being given to the necessities of other nations.

These arrangements are made at the earnest request of the Cuban Government in order that it may continue its reciprocal trade relations with countries that have in the past carried on commercial intercourse with the Republic of Cuba.

The total amount of the Cuban 1918-19 crop, thus disposed of during the entire year, was 182,815 tons, distributed as follows:

| DESTINATION             | QUANTITY (LONG TONS)<br>Raw and Refined |
|-------------------------|---|
| France . . . . .        | 56,363                                  |
| French Africa . . . . . | 3,183                                   |
| Canada . . . . .        | 73,809                                  |
| Holland . . . . .       | 5,986                                   |
| Turkey . . . . .        | 5,537                                   |
| Mexico . . . . .        | 1,429                                   |
| Roumania . . . . .      | 4,000                                   |
| Greece . . . . .        | 1,476                                   |
| Spain . . . . .         | 30,902                                  |
| Panama . . . . .        | 130                                     |
| Total . . . . .         | 182,815                                 |

Of these 182,815 tons, 133,603 tons were actually subtracted from the United States portion, the other

<sup>1</sup> Later in the year France, although represented on the Royal Commission, was allowed 56,363 tons from Cuba.

49,212 tons being practically embargoed by the Cuban Government for sales to certain countries with which it wished to continue trade relations. It will be noted that Canada and France together received about 71 per cent of the total, while Spain received about 16 per cent. The balance was distributed among many European countries in relatively negligible quantities.

The Sugar Equalization Board and the Food Administration did not deem it advisable to allow exports of refined sugar from the United States until February 1, 1919, (except such Cuban sugars of the old crop as were being refined for the British Royal Commission on the Sugar Supply), because up to that time the demand for sugar in the United States was equal to the available supply. But by February 1 it was clear that sufficient supplies were forthcoming to more than meet all needs, for the first half of the year at least. Allowing for a consumption considerably above normal in the United States, say about 3,800,000 long tons<sup>1</sup> (against a previous average of about 3,500,000 long tons) there remained a balance for export of about 300,000 tons, since the available supplies for the year were set at about 4,100,000 tons. Moreover, aside from this favorable statistical position at this time, there was a general attitude of conservatism on the part of the buyers, and refiners had difficulty in disposing of their sugars to the domestic trade. The market letters at this time were filled with complaints on the slow movement of refined sugar all over the country.

On January 11, 1919, the United States Sugar Equalization Board issued the following announcement:

The United States Sugar Equalization Board, Inc., feel that they can, beginning February 1, release sugar for export. The amount to be exported will be governed by the receipt of raw sugars. The price basis to be the domestic basis of refined granulated, 9 cents per pound, less 2 per cent discount, less drawback of

<sup>1</sup> Refined basis.

1 cent per pound, usual custom as to payment by refiners of commission, brokerage, etc. All such export transactions subject to the approval of the United States Sugar Equalization Board, Inc.

Supplementing this action, the War Trade Board announced on January 18, that, after consultation with the Food Administration, it had been decided that applications for licenses to export sugar to countries outside of the United Kingdom, France, and Italy, would be considered after February 1. On January 20, the President of the Board, Mr. George M. Rolph, in a letter to the American Refiners' Committee, authorized the refiners to accept for the months of February, March, and April, export business from countries outside those represented on the Royal Commission, up to 25,000 tons per month. He also advised the refiners to accept the offer of the British Royal Commission to ship 50,000 tons per month in accordance with the option given to the Royal Commission on November 22, 1918.

The above notice to the American Refiners' Committee was only given when the Board had been assured by the Shipping Board that there would be no difficulty in arranging monthly shipments from Cuba and Porto Rico, of a minimum of 300,000 tons per month. The policy of the Board in relation to exports was thus expressed by Mr. Rolph:

We believe that export business should be taken, if obtainable, in order to keep the refineries of the country operating at full capacity in the early months of the year when domestic demand is light, thus relieving the refineries from the necessity of export business during the summer and fall months when domestic demand is heavy.

It will be noted that there was no tendency as yet to allow free exportation, but that the Board still required its approval and the War Trade Board required the application for an export license. Such caution was

essential at this time because it was to be anticipated that the domestic demand might increase suddenly at any time.

*Purchase of Foreign Sugars Other than Cuban*

In normal times relatively small quantities of full-duty sugar come to the United States from the East Indies, and Central and South America, usually from enterprises financed by American capital. The total amounts imported from these sources in the years 1910 through 1918 were as follows:

| YEAR           | AMOUNT<br>LONG TONS |
|----------------|---------------------|
| 1910 . . . . . | 120,809             |
| 1911 . . . . . | 220,947             |
| 1912 . . . . . | 85,911              |
| 1913 . . . . . | 21,107              |
| 1914 . . . . . | 42,024              |
| 1915 . . . . . | 115,315             |
| 1916 . . . . . | 154,767             |
| 1917 . . . . . | 89,195              |
| 1918 . . . . . | 19,177              |

During 1918 the International Sugar Committee had adopted the policy of allotting most of these sugars to Canada, such an arrangement being advisable from the viewpoint of tariff differentials and shipping. Accordingly the total amount received in the United States from these sources fell to the low figure of 19,177 tons as compared with 154,767 in 1916. It was desirable to restore the movement of these sugars to the United States in 1919 as a reconstruction measure, but early in the year the supplies already available for the United States were so far above requirements that caution was imperative. On the other hand, the Board was conscious of the fact that there might be a large increase in demand later in the year when the fruit preserving season began, and any additional supplies available at



that time would be easily disposable. Moreover, as the world supplies in the first part of the year, as explained more fully below,<sup>1</sup> were more than ample, the pressure upon the Board to accept these sugars was rather heavy, particularly since American capital was invested in these countries. It was therefore decided by the Directors to purchase these sugars as offers were submitted, if the quantities so offered did not become too great. The amounts and kinds so purchased, were received by refiners in the United States as follows:

Unit: Long Tons

| RECEIVED IN<br>MONTH OF | HAITI | HON-<br>DURAS | JAVA | PERU | SAN<br>DOMINGO | SURINAM | VENE-<br>ZUELA | TOTAL |
|-------------------------|-------|---------------|------|------|----------------|---------|----------------|-------|
| January .               |       | 214           |      | 1361 |                |         | 127            | 1702  |
| February .              |       |               | 600  | 3196 |                |         | 1010           | 4806  |
| March . .               | 1373  | 133           | 3905 |      |                | 888     | 387            | 6686  |
| April . .               | 1188  | 2995          | 2400 |      |                | 32      | 3025           | 9640  |
| May . . .               | 1332  | 202           | 3069 |      |                |         | 292            | 4895  |
| June . . .              |       | 399           |      |      |                |         | 1667           | 2066  |
| July . . .              |       | 811           |      |      |                |         |                | 811   |
| August . .              |       | 1821          |      |      |                |         |                | 1821  |
| September               |       |               |      |      |                |         |                |       |
| October . .             |       |               |      |      |                |         |                |       |
| November .              |       |               |      |      | 1266           |         |                | 1266  |
| December .              |       |               |      | 946  | 157            |         | 983            | 2086  |
| Total .                 | 3893  | 6575          | 9974 | 5503 | 1423           | 920     | 7491           | 35779 |

It will be observed that the total, although considerably below the record of previous years, was almost twice as great as in 1918; at any rate a good beginning had been made in the restoration of prewar conditions in this regard.

<sup>1</sup> See page 88.

## CHAPTER VI

### TEMPORARY ARREST OF PROCESS OF DEMOBILIZATION

THE gradual removal of restrictions was thus proceeding satisfactorily when conditions in the world sugar market and economic and political conditions in the United States caused a halt. It is pertinent, at this point, to contrast the condition of the sugar industry in the United States at the beginning of the reconstruction period with the situation in other industries. It will be recalled that about this time there was a great uncertainty as to price. It was not known whether the price level of all commodities would decrease or increase generally during the year 1919, and this uncertainty was hampering industrial progress. In fact, a Government organization<sup>1</sup> was created with the President's approval to attempt, if possible, a general stabilization of prices.

During this period of uncertainty, the sugar industry in the United States was almost completely undisturbed. The price of sugar was definitely known both for refined and raw; the Cubans knew what price to expect for their raw sugar for the whole year's crop; the Porto Ricans and the Hawaiians knew what their price would be for their crops; the beet-sugar producers and the Louisiana cane producers knew also what their price would be; the refiners knew what their margin would be for performing the work of refining, and even the wholesalers' and retailers' margins were controlled

<sup>1</sup> The reference here is to the Industrial Board, initiated early in March by the Department of Commerce.

within definite bounds. Thus, there was no opportunity for speculation or uncertainty. Refiners knew that with the Cuban crop already purchased by the Board, there would be no difficulty in obtaining supplies.

Sugar, which came continuously from the various sources of supply to the United States, was prepared and distributed for consumption without any interference. The reaction from the war restrictions on consumption brought about a rather increased demand for sugar, but there was more than a sufficient supply available to meet all needs. Refiners were melting sugars at capacity, giving continuous employment to all connected with the industry and labor unrest was negligible, owing to the fact that, with a stabilized Government price for sugar, there was no speculation and no fluctuations in price to provide fertile soil for industrial agitation.<sup>1</sup> Through a complete statistical machinery from the point of production to the point of consumption, such as was necessitated by the rigorous Government control of the industry, it was possible to tell each week the total tonnage of ships that were clearing from the sources of supply; the amount received each week in the United States at each refinery and the amount refined and distributed therefrom; the amount of beet sugar that was distributed each month, the amount of exports, the stocks on hand and all other information which was needed for administrative purposes.

Generally, then, the condition in the sugar industry was one of stability, whereas on the other hand in nearly all other industries there was a condition of disturbance and unrest. But this pacific status did not continue, for, early in 1919, conditions in the sugar market of the United States began to reflect the con-

<sup>1</sup> While there was no unrest in the sugar industry at this time in the United States, there was a strike of railroad workers in Cuba, which for a time threatened to delay the movement of sugar.

ditions in the world sugar market and the general economic and political disturbances in the United States. It is important to review these phenomena briefly in so far as they were pertinent to the problems of the Sugar Board.

### *General Conditions in the Sugar Markets of the World*

The World War affected many industries profoundly but there was hardly any industry so disturbed as the sugar industry. The curtailed production of the European beet-sugar countries;<sup>1</sup> the partially compensatory increased production of cane-sugar countries, particularly Cuba and Java;<sup>1</sup> the loss of the immense beet-sugar trade with the United Kingdom by the Central Powers to the advantage of Cuba and the United States;<sup>1</sup> the continued world shortage of sugar,<sup>1</sup> compelling the rigorous Government control of the sugar industry and trade in most countries; — all these are familiar facts.

Reflecting these war distortions, the first reconstruction year, 1919, revealed all sorts of unexpected turnings in the sugar markets of the world, as might have been anticipated. The statistical position at the time of the armistice showed insufficient supplies available from the expected production for 1919 to meet the probable requirements for the year.<sup>2</sup> Owing to the war shipping situation, however, large stocks had accumulated in Java, and the world's "carry over" was approximately 900,000 tons in excess of the prewar normal. These stocks could be utilized to meet the deficit in production, thus making a close balance between probable supply and demand, taking into consideration the year as a whole.

But if the year were broken up into significant halves, the situation was somewhat different, for the war had

<sup>1</sup> See Appendix, Exhibits 27, 28, and 29 for details.

<sup>2</sup> See table, page 76, for details of world supplies and requirements, in 1919.

brought about a peculiar maladjustment between supply and demand as the following table indicates:

SUGAR CROPS OF THE WORLD, 1916-17, 1917-18, 1918-19

By Periods of Production. *Unit: Long Tons*

| PERIODS OF PRODUCTION                  | PERIOD <sup>1</sup> WHEN AVAILABLE | 1918-19    | 1917-18    | 1916-17    | 1914-15    |
|--|------------------------------------|------------|------------|------------|------------|
| July-Feb.<br>crops<br>(mostly<br>beet) | Aug.-Jan.                          | 5,439,783  | 5,923,981  | 6,745,094  | 9,182,072  |
| Dec.-July<br>crops<br>(mostly<br>cane) | Jan.-July                          | 8,500,980  | 8,934,694  | 8,100,783  | 6,944,679  |
| May-Nov.<br>crops<br>(mostly<br>cane)  | May-Dec.                           | 2,409,637  | 2,474,280  | 2,142,098  | 2,106,665  |
| Total, June<br>through<br>June         |                                    | 16,350,400 | 17,332,955 | 16,987,975 | 18,283,416 |

Thus in prewar times about one-half of the world's production was cane, the other one-half beet. The cane-sugar countries produced mostly in the period of the year from December through July, while the beet-sugar factories produced from July through February, and Nature had thus established an equilibrium between production and consumption. But while the war caused a decline in beet-sugar production of nearly half of normal, it increased cane-sugar production only partially, so that the net result was an increase in the supply in the period from January to July of about 1,500,000 tons but a decrease of about 3,700,000 tons in the supply from July to January.

<sup>1</sup> That is, the period when the large deliveries for consumption take place.



Accordingly, while statistically, figures for the year's production and consumption of beet and cane taken as a whole showed a small surplus for 1919 (as in the table on page 76), assuming the utilization of the excess "carry over," there was strong probability of a world shortage in the last half of the year owing to the impracticability of storing the excess supply of the first half of the year for use in the latter half. But there developed during 1919 several changes from the earlier estimate of the year's supply and demand, which reduced the world's margin even further. The first striking change was the rapid disappearance of the Javan surplus.

The reduction of consumption of Europe, and the stringent shipping situation during the war had forced Europe to turn to Cuba for supplies of sugar, and the Javan crops had remained unsold until the latter part of 1918, at which time there was a decided change. In his report to the State Department, the American Consul at Batavia, Java, reported on March 25, 1919, that there were only about 2,000,000 piculs (136,000 short tons) unsold at the end of the year 1918. This situation resulted from the formation of two organizations in the latter part of 1918 to relieve the situation. One was called the Associated Java Sugar Producers, the other the Java Sugar Exporters' Association. Through these organizations, about 10,500,000 piculs (714,000 short tons) of the 1918 crop were sold, as well as the balance of the 1917 crop which had not been disposed of to that time. During the last two months of 1918, after the armistice had been signed and the shipping situation began to look brighter, another 6,000,000 piculs (408,000 short tons) were sold, and thus a total of 25,500,000 piculs (1,734,000 short tons) were disposed of. The stocks of sugar in other hands were relatively small so that the Javan supplies had practically disappeared by the end of the year. The exports from

Java were unusually heavy in the latter part of 1918 and the first part of 1919, reflecting the large sales just noted. Not only did the old crop thus disappear, but it was even reported in the early part of 1919 that much of the new crop which was not yet harvested was being contracted for. Market letters of February, 1919, reported that about one-half of the crop had been contracted for at a basis of 4.29 cents f. o. b. Thus the surplus "carry over," which in the estimates at the time of the armistice had been counted on to meet the deficit of production, rapidly disappeared because of an unexpected decline in the crops of the Far East.

The second striking development in the world's sugar market was the decline in many of the sugar crops. Cables received early in March reported a decline for the British Indian crop from the early estimate of 2,950,000 long tons to 2,337,000 long tons, a drop of over 600,000 long tons, and nearly one million tons below the preceding year's crop. This significant decline was of importance not only because of the diminution of the world's supply which it intrinsically denoted, but also because it meant that there would be that much less sugar available in Java for Europe, and a consequent heavier drain upon the Western Hemisphere.

There were several other important changes in the crop figures during the year, some favorable and some unfavorable. The table on the following page indicates the principal changes and shows that the final result of the above variations was to decrease the available supply by about 600,000 long tons.

The third important development was the phenomenal increase in sugar consumption in the United States, due to various causes, particularly prohibition and the restoration of the so-called "non-essential" sugar consuming industries which had been partially suppressed during the war. It became apparent in the middle of the year that the consumption for the year

*Unit: Long Tons*

|                             | JAN. 1919 FORE-<br>CAST OF CROPS | CROP FIGURES AS<br>CORRECTED DEC.<br>1919 |
|-----------------------------|----------------------------------|---|
| United States:              |                                  |   |
| Louisiana . . . . .         | 225,000                          | 125,000                                   |
| Porto Rico . . . . .        | 410,000                          | 375,000                                   |
| Cuba . . . . .              | 3,800,000                        | 3,972,000                                 |
| British India . . . . .     | 2,950,000                        | 2,337,000                                 |
| Formosa and Japan . . . . . | 375,000                          | 416,000                                   |
| Philippines . . . . .       | 230,000                          | 150,000                                   |
| Total . . . . .             | 7,990,000                        | 7,375,000                                 |
| Net decrease . . . . .      | 615,000                          |   |

1919 would reach over 4,000,000 long tons refined or 500,000 tons more than normal, an increase of  $12\frac{1}{2}\%$ . The significance of this great increase is more readily appreciated when one notes that the combined normal consumption of Norway, Denmark, Spain, Sweden, and Holland only equals 500,000 tons.

The net result of the above developments was the emergence of a gap of over a million tons between supply and demand for 1919, as compared with an estimated surplus at the time of the armistice of about two hundred eighty thousand tons. This shortage, however, was not felt in the first half of 1919 because, as already noted, this was the period of heaviest production and the supplies available for this period were far in excess of the prewar normal. The full impact of this world shortage came in the last half of the year, in which period the world beet-sugar production was not compensated by a correspondingly increased cane production. Moreover, the Javan surplus "carry over" disappeared so rapidly that there was none of it available to alleviate conditions in the latter part of the year.

Thus the world's sugar market during 1919 displayed astonishing lethargy and indifference in the first half of the year, while in the second half of the year the reverse condition developed.

*Conditions in the United States Which Obstructed the  
"Demobilization" Process*

The above conditions in the world's sugar market were accentuated by conditions in the United States which had the same general effect. Reference has already been made above to the remarkable stability of the sugar industry at the beginning of the year, in striking contrast to the condition in other industries at that time. But this very stability, so beneficent and desirable in many respects, had one distinct disadvantage; it discouraged the exercise of foresight on the part of dealers throughout the country. Normally, in the sugar trade, as in nearly all other forms of business enterprise, there is a speculative factor, an uncertainty as to the course of future prices which operates to create large "invisible" supplies all over the country. For there is always the strong probability of an increase in the price of sugar in the second half of the year, when the heavy summer and fall demand sets in. But in 1919, with the price fixed at a definite level for the entire year, through Government intervention, there was no incentive to purchase for more than immediate need. Refiners, observing this slow movement of their refined sugar, wrongly interpreted it as an indication of a reduced consumption, which might ultimately result in a break in the market. The Board, therefore, could not at that time obtain the consent of the refiners to annul or liquidate its contract with them, although such annulment was absolutely necessary if a return to prewar conditions were aimed at.

Another unfavorable factor was the prevalence of



industrial unrest in the country, which affected the longshoremen and the shipping crews. The rumors of impending strikes along the Atlantic and Gulf seaboard were sufficient in themselves to cause anxiety on the part of buyers. These rumors, however, were followed by actualities, — one strike lasting three weeks, — so that buyers became exceedingly worried at certain times and deluged refiners with orders. In the latter part of the year, the market was influenced by another unfavorable factor, the 1920 prospects. Buyers were beginning to turn their thoughts to the coming year's supplies and prices. Some buyers felt that if the Government would continue control in 1920 and purchase the 1920 Cuban crop as in the year previous, there need be less concern about the following year's supplies than if there was to be a free market. On the other hand, others believed that without Government control, refiners could best anticipate their future requirements, as in prewar times, and purchase sufficient quantities of Cuban raws for early delivery, say in December, 1919, or January, 1920, and thus eliminate any anxiety. In either case, with definite action to assure 1920 supplies taken, the market would have exhibited its normal inactivity in the winter months, after the heavy summer and fall demand had been supplied. An official announcement was therefore awaited by the sugar trade as to the policy of the United States Government for 1920. No such notice was, however, forthcoming. The details of the transactions and activities of the Board in this matter are given in another chapter. It is only necessary to note here that the delay in establishing a definite Government policy resulted in exciting buyers and in a further inflation of demand at the one season of the year when supplies are always lowest.

Accordingly, the result of the foregoing considerations was that while in the first half of the year it was impossible to liquidate or annul the refiners' contract



because of the probability of a sudden decline in the price of sugar, in the second half of the year, it was just as impossible to accomplish that end because of the existence of an abnormal demand and an over-excited market.

### *The Resultant Problems from Above Conditions*

The conditions above noted, both in the world generally and in the United States specifically, created several serious problems, the attempts at solution of which not only put aside for the time being any hope of releasing existing Government control of the industry, but even caused the reimposition of restraints already discarded.

The first problem was the maintenance of the basic nine cent price, established on September 9, 1918. In the first half of the year, with refiners' supplies accumulating, there was pressure to lower prices as a stimulus to the trade and to consumers to increase purchases. But in the second half of the year with the supplies available much below the domestic demand and with foreign countries clamoring for supplies, just the reverse was true—it was extremely difficult to hold the price down, particularly after the sugar had passed out of refiners' hands. The second problem, perhaps more trying than all others, was the adjustment of available supplies to the demand. In the first part of the year, it was necessary to arrange for the disposition of a rapidly accumulating surplus, while under the conditions of "inflated" demand in the second half of the year, absolute depletion of supplies was threatened.

The full impact of the influences outlined above tending to the creation of a surplus of supplies for the first part of the year was felt in the United States by the beginning of April. From that point on, refiners' stocks of raw sugars began to mount rapidly, the maximum point being reached on May 24, when stocks were 230,327 long tons as compared with 155,963 tons on the cor-

responding date in 1918. Several cargoes of Porto Rican sugars (8,138 long tons) arrived at Atlantic ports early in April which refiners found themselves unable to absorb. In fact one refiner had about \$50,000,000 tied up in his raw and refined sugar at this time.

The Board found itself confronted with two alternatives: either to reduce the basic price slightly in the hope that such action would provide an incentive to the trade to anticipate future needs, or to adopt a policy of storing large quantities of sugar at its own expense in warehouses throughout the country, pending the time when the domestic and foreign demand would increase. The former alternative was undesirable, first, because under the abnormal economic conditions of this period, the trade would have interpreted a decline in price as *prima facie* evidence of a weak market, so that a result opposite to the one intended would have happened; that is, buyers would await a further decline in price before anticipating their summer requirements. Secondly, any such decline in price would have been an act of bad faith and breach of contract between the Food Administration and the domestic producers of sugar, since the contract with the beet-sugar producers, drawn up under war conditions, called for a basic nine cent price. Finally, sugar was already selling at a far lower price in the United States than in any of the countries abroad and any further increase of this differential was undesirable from many points of view. The Directors, therefore, adopted the latter alternative and decided to purchase surplus sugars as they came to the United States on regular terms, for allocation later to the refiners when the domestic demand improved, meanwhile storing them on lighters at the expense of the Board. About \$60,000 was thus expended by the Board in storage expenses before the surplus Porto Rican sugars could be entirely disposed of.

Meanwhile, however, the continuous movement of

Porto Rican sugars to the United States was interrupted somewhat, at the peak of the producing season. The Cuban producers, also at the peak of production, were anxious that more shipping be provided for them and pointed to that clause in their contract with the Board which provided that two per cent of the crop be shipped during December, 1918, "the balance in approximate equal monthly shipments from January to November, both inclusive."

The Board then adopted the following procedure: first of all, it obtained the coöperation of various Government bureaus, the Department of Commerce, the War Trade Board, and the State Department, so that the foreign representatives of these departments notified the Sugar Equalization Board of any possibilities for the sales of either raw or refined sugar abroad; secondly, some raw sugars were sold to various foreign countries, f. o. b. Cuba, out of the two-thirds portion of the exportable crop belonging to the United States;<sup>1</sup> thirdly, the Board notified the Royal Commission that it would be necessary for them to take most of their sugar, which they were refining on toll in the United States, as quickly as possible, in order to allow an unrestricted use of the refiners' capacity for the large domestic trade which was bound to come later in the year, when no beet and Louisiana sugars would be available to help meet the demand; finally, the Board issued public notice through a general news release stating the situation plainly, urging the consumers to anticipate their summer wants lest a shortage be brought about the latter half of the year when a demand developed everywhere simultaneously. The text of this notice is here given because of the fact that it was prophetic in many ways. This notice was released through the office of the Food Administration:

<sup>1</sup> These sales amounted to 133,603 tons. See page 80 above for details as to destinations of the sugar shipped.

ANNOUNCEMENT OF THE UNITED STATES FOOD ADMINISTRATION  
115 Broadway, New York,  
April 14, 1919.

The Food Administration urges upon dealers in refined sugar the desirability of their replenishing their stocks now, to insure against the possibility of local shortages, particularly in the Eastern part of the country later on, when the demand comes for canning. This demand may be further accentuated by the expected increase in consumption of sugar and its products in candy and sweet drinks as a result of prohibition.

The Food Administration is particularly eager that a full supply of sugar should become available to home canners for preserving this summer's fruits. Last season, on account of restrictions and difficulties in transportation, there was an unequal distribution of sugar which led to local shortages. This season the Food Administration fears that dealers may bring about the same undesirable situation unless they replenish their stocks now.

The foreign demand for sugar this year is estimated at 650,000 tons, as compared with 150,000 last year and a normal of 50,000 tons. Of this year's European requirements, 550,000 tons have already been contracted for. This sugar will go forward in the first nine or ten months of the year instead of being spread over twelve. Ships have already been allocated for 60 per cent of the amount. The foreign buyers are already taking steps to insure their getting their sugar, and if the American local buyers do not exercise similar precautions and continue to refrain from buying, they will find themselves unable to secure the sugar they will require later on, during the large consuming months from June 1 to October 1, since the refiners' ability to deliver is limited by their daily refining capacity, which will be taken to meet their foreign contracts.

There is not, in the opinion of the Sugar Equalization Board officials, any actual shortage of sugar now and no prospect of one, at least before next fall, but, on the other hand, there is no prospect of any material change in price that would justify merchants in delaying their buying orders. The price of sugar to-day in the United States is lower than that in any European country (except Denmark, where there is a special situation). Against our 10 cents per pound, prices in Europe vary from 12 cents to 45 cents.

Such were the efforts of the Sugar Equalization Board to cope with the situation as it developed at this point. Suddenly there developed the change in the entire world



situation noted above: first of all, reports came from Java, Japan, Formosa, and India, indicating that sugar crops there had declined seriously as compared with the expectations at the beginning of the year; secondly, the beet supplies were reported as having been completely used up in Europe and the 1920 crop was not to be available until September; thirdly, the summer demand developed all over the world, simultaneously due to the usual needs for preserving fruits, canning, soft drinks, ice creams, etc. In the United States the demand was increased by the intensified activity in canning of vegetables and fruits, resultant from the special training in these directions during the war; by the restoration of the so-called "non-essential" sugar-using industries; by the extension of prohibition throughout the United States, and other causes.

It must not be forgotten that all these factors operated at a time when the dealers in the United States were operating on the barest margin of stocks. Moreover, no Louisiana sugar was available in the South, since the entire crop had been disposed of and no new crop was to be available until November; also the old crop beet sugar was practically exhausted and no new crop in any consequential amount could be expected until August. Thus the heavy demand from Europe, particularly from the United Kingdom, France, and Italy, and the heavy demand in the United States came at the worst period of the year, when the entire supply had to be produced through the refineries, and the capacity of the refineries was strained to the utmost. Shipments were thus delayed owing to this "peak load" congestion, with further complications due to railroad delays. Abruptly and simultaneously sugar buyers realized that the price of sugar would certainly not drop, but on the contrary, were it not for the restraining hand of the Government, prices would certainly soar. Since no one knew how long the Government intended to control the sugar



industry, it was clear that if supplies of sugar were to be obtained with reasonable promptness and at fair prices, it was important to place orders for as much sugar as possible immediately. Orders then poured in at the various refineries until they were completely deluged. The situation, bad as it was, was made worse by the psychologic effect of the rumors of an impending longshoremen's strike at the port of New York, which became an actuality in July. Buyers became very anxious about their future supplies when confronted with the stoppage of marine traffic between Porto Rico and Cuba and New York. A panic-stricken market was then the result and no control of demand was possible. In short there resulted a "run" on the nation's sugar bank.

## CHAPTER VII

### REIMPOSITION OF WAR-TIME RESTRICTIONS

#### *Restrictions on Export and Distribution*

CONFRONTED with the above perplexing situation in the sugar market, the Board directed its efforts to ameliorate conditions.<sup>1</sup> The obvious thing was to increase the domestic supply at once, and since there was no machinery in existence to restrict consumption this could be done only by eliminating exports. For there were no supplies available except such sugars as were coming from day to day from sources outside the United States. The simplest thing would have been the reimposition of an embargo on all exports of sugar from the United States, such as was in effect during the war. The Board found upon investigation that legal authority for such action was doubtful; moreover the War Trade Board was practically out of existence and the Food Administration organization was about dissolved.<sup>1</sup> Instead of an embargo, the President of the Board requested refiners, as a patriotic act, to cease selling or shipping any sugar abroad for the time being, including the sugar refined on toll for the Royal Commission, with the exception of such contracts as were outstanding and which had to be liquidated. The effect of this voluntary agreement by refiners is to be noted in the following figures:

<sup>1</sup> See Appendix, Exhibit 17, for letter from the President of the Board to the War Trade Board urging imposition of embargo on export of sugar, page 229.

TABLE SHOWING EXPORTS (EXCLUSIVE ROYAL COMMISSION)  
CONTRACTED FOR BY REFINERS PRIOR TO JULY 15, AND  
AMOUNTS ACTUALLY SHIPPED THEREAFTER

| CONTRACTED FOR SHIPMENT IN<br>MONTH OF | AMOUNT CONTRACTED FOR<br>(LONG TONS) | ACTUAL SHIPMENT<br>(LONG TONS) |
|--|--------------------------------------|--------------------------------|
| July . . . . .                         | 29,262                               | 24,293                         |
| August . . . . .                       | 26,290                               | 20,755                         |
| September . . . . .                    | 19,558                               | 20,622                         |
| October . . . . .                      | 13,345                               | 9,257                          |
| November . . . . .                     | 3,500                                | 20,194                         |
| December . . . . .                     | 1,000                                | 1,109                          |
| Total . . . . .                        | 92,955                               | 96,230                         |

The above table shows that the amount shipped was practically equal to the amount contracted for, thus demonstrating that practically no sales were made after July 15.

The exhibit in relation to the Royal Commission exports is even more significant:

TABLE COMPARING SCHEDULE OF SHIPMENTS FOR ROYAL  
COMMISSION SUGARS WITH ACTUAL SHIPMENTS

| MONTH               | SCHEDULE | SHIPMENTS |
|---------------------|----------|-----------|
| January . . . . .   | 22,000   | —         |
| February . . . . .  | 36,000   | 9,141     |
| March . . . . .     | 53,000   | 21,026    |
| April . . . . .     | 93,000   | 64,303    |
| May . . . . .       | 55,000   | 73,591    |
| June . . . . .      | 55,000   | 74,950    |
| July . . . . .      | 45,000   | 40,810    |
| August . . . . .    | 37,000   | 1,490     |
| September . . . . . | 35,000   | 12,800    |
| October . . . . .   | 35,000   | 50,710    |
| November . . . . .  | 34,000   | 39,075    |
| December . . . . .  | —        | 59,764    |
| Total . . . . .     | 500,000  | 447,750   |

It will be noted that July exports of Royal Commission sugars dropped to almost half of the June exports, while for August and September the amounts were practically negligible. It must be remembered that the raw sugar from which the above refined sugar was made, belonged to the Royal Commission, and the effect of stopping these exports was to release an equivalent amount for United States consumption. The amount so borrowed from the Royal Commission had to be returned ultimately, either from Cuba in raws or from the United States in refined. Accordingly, unlike the stoppage of the exports to the other countries as in the preceding table, the effect of which was to add to the domestic supplies, the effect of this embargo on Royal Commission exports was of temporary advantage only. It can hardly be stated, however, in view of the above figures, that refiners did not do their part in meeting the troubled conditions which developed at this time, or that they persisted in exporting sugar when the domestic trade was in dire want.

A second measure aiming towards increasing the domestic supply was the arrangement made by the Board with the War Department for the purchase and distribution of about 46,234,000 pounds of so-called surplus army sugars. In the distribution of these sugars, the Board availed itself of the services of its Louisiana Sugar Committee at New Orleans, headed by R. E. Milling, to take care of the needs of the Southern district of the country. For the Eastern part of the country, the American Refiners' Committee at New York was utilized, while the Food Administration Sugar Distributing Committee at Chicago, the California and Hawaiian Sugar Refining Company at San Francisco, and the Chamber of Commerce of San Antonio all functioned within their respective localities. The total quantity of sugar received and distributed by each of these bodies was as follows:

|  |                       |
|--|-----------------------|
| Louisiana Sugar Committee, New Orleans (Sugar in New Orleans) . . . . .  | 17,325,000 lbs.       |
| American Refiners' Committee, New York (Sugar in New York, Baltimore, and Atlanta) . . . . .                   | 10,105,000 lbs.       |
| Food Administration Sugar Dis. Com., Chicago (Sugar in Chicago, St. Louis, Omaha, and San Francisco) . . . . . | 10,104,000 lbs.       |
| California & Hawaiian Sugar Ref. Co., San Francisco (Sugar in San Francisco) . . . . .                         | 7,700,000 lbs.        |
| Chamber of Commerce, San Antonio (Sugar in San Antonio) . . . . .  | <u>1,000,000 lbs.</u> |
| Total amount of sugar received from the War Department . . . . .   | 46,234,000 lbs.       |

The third measure to relieve the situation was the purchase by the Board of 320,000 bags (32,000,000 lbs.) of surplus beet sugar of the new crop in California for distribution in the territory east of the Rocky Mountains to the Illinois-Indiana State Line and east of Lake Michigan. This distribution was also handled by the Food Administration Beet Sugar Distributing Committee at Chicago. In the purchase of most of the above army and beet sugars, the Board adopted the policy of absorbing freight differentials, so that the sugar might reach the consumer on the basis of nine cents, seaboard basis, wholesale, for granulated.

To avoid the evil consequence of the marine strike, the Sugar Equalization Board coöperated with the Shipping Board and by means of the radio diverted to Cuba ships originally bound elsewhere, to obtain cargoes of raw sugar. However, the strike continued for so long a period that the evil results could be neutralized only in small measure. It was natural that the shortage should be first felt in the West and Middle West, since all old crop beet sugar had been consumed and the new crop was not forthcoming in large enough quantities for several months. Although complaints of acute conditions were not confined to this part of the country, but were quite universal, it is questionable whether the



situation could have been called a shortage, in the ordinary sense of the word, since there were sufficient sugars in sight to meet more than the normal requirements of the country, and refiners delivered larger quantities into domestic consumption each week than ever before in the history of the trade. It was simply that the demand situation was entirely out of hand at this time.

There was hope, however, that by the middle of September, in view of the constant infiltration of new supplies following the settlement of the marine strike, the situation would improve considerably, particularly since new crop beet sugars would then be produced in large quantities, followed by the Louisiana production in November. Just about this time, however, a new factor which tended to make matters worse began to color the entire situation. Buyers were beginning to turn their thoughts to the 1920 prospects for supplies and prices. The effect of this factor in the further inflation of demand, at a time of the year when the market would have normally been quite inactive, has already been explained above.

The resulting incessant demand upon the refineries began to threaten a complete depletion of the year's supplies by the middle of October, if the rapid rate of movement of the refined sugar from the refineries were not checked somehow. Until September 1, 1919, although the supplies were never equal to the record breaking demand, there was always sufficient raw sugar yet to come from the sources of supply to provide for a consumption far above normal. But so heavy was the movement of raw sugar in the three weeks September 1-September 20, that by September 20 the amount in sight was less than was actually received the preceding year, as the table on the following page shows.

In view of the above situation, action to restrict consumption was imperative along the lines practiced during the war. On September 25, Mr. Zabriskie addressed

RAW SUGAR AVAILABLE FOR PERIOD SEPTEMBER 20-  
DECEMBER 31, 1919 AND 1918

Unit : Long Tons

| SOURCE                  | ESTIMATED TO ARRIVE<br>SEPT. 20-DEC. 31, 1919 | ACTUAL ARRIVALS SEPT.<br>20-DEC. 31, 1918 |
|-------------------------|---|---|
| Cuba . . . . .          | 383,000                                       | 322,703                                   |
| Hawaii . . . . .        | 57,000  | 117,860                                   |
| Porto Rico . . . . .    | 37,000  | 44,301                                    |
| Philippines and foreign | 5,000   | 25,612                                    |
| Louisiana . . . . .     | 15,000  | 18,801                                    |
| Total . . . . .         | 497,000                                       | 529,277                                   |

the following letter to the Chairman of the American Refiners' Committee, Mr. James H. Post.

In view of the present abnormal demand for sugar and the inability to keep pace with it, also considering the limited supply, it is the opinion of the Board that a committee on distribution should be organized by you, not only to stop duplication of orders, but to give such preferences as were suggested by the Food Administration somewhat on the order of the A-B-C-D-E class arrangement.

Confectioners and candy manufacturers, for instance, ought to be cut down to 50 per cent of their last year's requirements, bakers to 70 per cent and other less essentials regulated accordingly, while preference should be given to manufacturers of medicines, fruit preservers, condensed milk companies, etc. Our observation has been that candy manufacturers have not only had their supply of sugar but in many cases have anticipated their wants and been able to acquire sugar ahead at the expense of more essential industries.

On September 30, Mr. Zabriskie appeared before the American Refiners' Committee and requested that a sub-committee be appointed to supervise the distribution of cane sugar by the Atlantic Coast and Gulf refiners, for the balance of the year, in accordance with the desire of the Board for an equitable distribution. Mr. Post appointed the following Committee :

Mr. J. A. McCarthy      Mr. Charles Bruyn  
Mr. Edward Wemple      Mr. Edward Y. Crossmore  
Mr. Frank C. Lowry, *Chairman*.

This committee functioned continuously for the balance of the year, allotting sugars to the trade in the Eastern part of the country, with proper relation to the available supplies and the normal requirements of each purchaser. In order to add to the supplies available for the Eastern part of the country at this time, the Board purchased 615,000 bags of beet sugar (61,500,000 pounds) which were also distributed by the above committee.

Similar action was taken on the Pacific coast, where, in spite of the new beet-sugar crop, a serious sugar famine was threatened. A "Pacific Coast Sugar Equalization Committee" was appointed, composed of the following members :

Ralph P. Merritt, *Chairman*  
P. C. Drescher  
George M. Rolph  
W. H. Hannam

The Western and the California and Hawaiian Sugar refineries ; the Spreckels, the Union, and the Alameda beet companies all agreed to have their output distributed under the supervision of the above committee. A total of 738,936 bags (73,893,600 pounds) was distributed, of which 107,834 bags went to manufacturers and 631,102 bags to the housewives. The cane sugar was sold at the price of nine cents (less 2 per cent for cash) while the beet sugar of the new crop not covered by contract was sold on a basis determined by the Department of Justice, in no case exceeding  $12\frac{1}{2}$  cents plus freight charges to any interior points to the consumer.

Another step in the direction of reestablishment of wartime control was recourse to the zone system. In order to prevent the draining away of the cane sugar

supplies of the East, which were still on the old price basis of nine cents, while new crop sugars were on a higher level, the Board announced on October 10, that after October 15, Atlantic and Gulf refiners would not be permitted to ship or deliver to any point west of Pittsburgh and Buffalo and north and west of the Ohio River. The beet-sugar producers and the Louisiana producers were not restricted to any particular zone, since the Board had no control over the new crops in these regions of the country. Such action was not essential, anyway, since unlike the Eastern parts of the country, there was a surplus in these producing regions owing to new crop production.

### *Restriction on Prices*

It will be noted that in the matter of price there had been practically no change since the stabilization on September 9, 1918, at nine cents per pound for granulated. It may have been a puzzle to many, why, when faced with this abnormal demand of the last half of the year, the Board did not attempt to check it to some degree by increasing the price of sugar to the trade. Such action would have been inadvisable from several points of view. First of all, in view of the unusual economic conditions existing in the country at this time, particularly as manifested by the general extravagance prevalent, it was indeed seriously questionable whether any reasonable increase in price would curtail demand.<sup>1</sup> Secondly, inasmuch as the basic price of nine cents had been determined upon in September, 1918, as shown in the preceding pages, only after careful scrutiny of costs of production and was found to be sufficient to maintain and even encourage production, a higher price would have yielded extortionate profits to many pro-

<sup>1</sup> In this connection, it is pertinent to note that the great increase in the price of sugar following the release of Government control was not followed by any reduction in consumption directly.



ducers. Moreover, the domestic price was really determined by the price for Cuban raw sugar, which had been fixed by the contract made in 1918, and it was equal to the domestic price of nine cents for refined, with the Board absorbing a differential of 38 cents per 100 pounds. Unless the Cubans were to be given more for their sugar than was stipulated in the contract, there could be no increase in price, else the Board would be obliged to absorb a greater differential than the 38 cents per 100 pounds. The Board could hardly have found justification for such action, in view of the determination of the Government to force a lower price level for all commodities.

While the Board thus continued its policy of maintaining the nine-cent level, many wholesalers and retailers, no longer having occasion to fear the practically defunct Food Administration, utilized the shortage conditions to charge abnormal prices for sugar. As soon as the Board became cognizant of these conditions, it took preventive action. At a meeting of Directors on July 30, it was decided "that the officers of the corporation be authorized to report cases of profiteering by dealers in sugar to the Enforcement Division of the United States Food Administration, with a recommendation that action be taken against such dealers in flagrant cases and that upon the request of the Food Administration any expenses connected with proceedings against such dealers should be paid by the United States Sugar Equalization Board, Inc."

Shortly after this, the whole problem of the rapidly increasing price level became a subject for governmental action and the President of the United States directed the Attorney General to attack the whole problem. The activities of the Attorney General in this matter are too well known to require exposition here. It will suffice to say that the Sugar Equalization Board cooperated actively with the Attorney General in deciding fair wholesalers' and retailers' margins on sugar.



## CHAPTER VIII

### END OF GOVERNMENT CONTROL

IN the preceding chapter, the author endeavored to demonstrate how the Board reluctantly reimposed governmental wartime restrictions on the sugar industry, because there was no alternative. Just as reluctantly, the Directors, as early as July, turned to a consideration of plans for the following year. Undoubtedly, the best procedure and the natural desire of the Directors was to wind up the affairs of the Board on December 31, 1919, and let the trade return to free market conditions, — if there were any probability that the trade, under the existing abnormal conditions in the sugar world, could assume the responsibility of providing the American people with their large requirements at a reasonable price. But the Board, in spite of its own desires, felt that it would be committing a serious error if it did not consider the whole problem carefully.

On July 18, 1919, a cable was sent by Mr. Zabriskie and Mr. Whitmarsh to Mr. Hoover calling his attention to the necessity for deciding on a policy for the coming year. Mr. Hoover cabled the following reply on July 23, 1919:

For your own advice and transmission to the President. It is necessary to take important decisions as to the sugar control in the United States in order to anticipate the marketing of the new beet harvest and to settle policy with Cuba for the next year. You will recollect that last July I presented to you the view that either in event of continued war and the consequent shipping isolation of the East Indies sugar, or in the event of

peace and the opening of new demands; there would be a world sugar shortage in the year 1919. I recommended that we form the Sugar Equalization Board to purchase the Cuban sugar crop jointly with the Allies and to arrange for equalization in marketing with the domestic sugar, in order to assure American supplies at reasonable prices and to eliminate speculation and profiteering and that the Board should secure a small margin in handling Cuban sugar to cover losses in the event of reverse on Atlantic shipping and to equalize freight and distribution costs. These things were done and to-day the United States is the only large nation possessing liberal supplies for the entire year and at a saving of four cents per pound under the world price or equal to about \$25,000,000 per month saving to the consumer. These courses of action grew out of war disruption of supply and distribution. Decision must now be made as to whether Congress should be recommended to legislate authority for the continuation of these measures over the year 1920, providing again for the purchase of the Cuban crop and the control of domestic production, stabilization of price, and distribution. The intrinsic situation is by no means clear as to the prospect of supplies and it is argued by many that there will be a continued shortage over the year 1920, with attendant speculation and profiteering, unless action is taken.

The matters to be considered are: (a) the crop prospects of the world, in which there is undoubtedly an increase over prewar in the Western Hemisphere and East Indies, but the European beet production (outside Russia) will be apparently twenty-five per cent short of prewar average, and although the Russian situation is unknown there are no exports likely; (b) the probable consumption of the world, as to which there is an undoubted increase outside of Europe, especially in the United States, but with regard to Europe the limited buying power during the next year (unless there is very rapid economic recovery) will tend to restrain the non-essential use of sugar.

The problem is also affected by (a) whether European Governments will continue their national buying and with national finance be in position to contract for national supplies for long periods in advance, to the prejudice of a free market and the ability of normal commerce to purchase on the same terms; this will probably depend upon whether the United States will allow credits to foreign countries to be used for such form of purchase; (b) whether in the long view the adjustment of production to world necessity will not be more rapid under free operation of supply and demand, although there may be great fluctuations in the process of readjustment; (c) whether, from a social point of view

it is desirable to perpetuate great governmental control in commerce now that the war interference of supply through short shipping, the necessity of control of cargoes, etc., has largely disappeared, even though speculation and profiteering may result. Any continuation of control will require action by Congress and it must embrace appropriations, the continuation of power to embargo, control of speculation, profiteering, and distribution. The alternative course to any action of the above character is for the Sugar Equalization Board to announce its cessation of control at an early date prior to the marketing season of domestic beet and cane sugars and to dispose of the remaining stocks from the old crop purchased by them at the market prices from day to day until they are exhausted. Owing to the delays in the Austrian Treaty it seems impossible for me to withdraw American control of railways, coal mines and transport of food in Central Europe before the middle of September without producing absolute chaos in that area, and therefore I will not be able to arrive home before that date. The determination of the sugar policies requires immediate consideration and my lack of intimate knowledge of American situation after eight months absence and my inability to leave here renders it impossible for me to be of useful service in the matter. I therefore suggest you request Mr. Zabriskie and Professor Taussig and the other members of the Sugar Equalization Board to present you their recommendations in the matter independent of myself. If as a result of your counsels you should decide to propose to Congress that the control be continued it is imperative that a new Chairman should be chosen in my place at once in order that he may be of assistance to Congress in legislation and that he should be in charge from the beginning, as I must in any event retire this autumn. As the new Chairman should be familiar with the problems and their past administration I would suggest he be chosen from the present directorate.

Following hard upon receipt of the above cable from Mr. Hoover, the representatives of the Cuban Government, after some informal discussions, addressed a letter to Mr. Zabriskie, suggesting that negotiations be entered into by the Board for the Cuban crop of 1920.<sup>1</sup> The Directors gave serious attention to this offer and decided to lay the matter before the President of the United States. The text of the letter to the Presi-

<sup>1</sup> See Appendix, Exhibit 19, for text of this letter, page 233.

dent and the memorandum which was inclosed, is given here in full because of its intrinsic importance :

AUGUST 14, 1919.

Dear Mr. President: The Sugar Equalization Board is in receipt of a letter under date of July 29 from the Cuban commissioners, tendering to the American Government the Cuban sugar crop for 1920.

We deem it advisable that the Cuban commission should be advised at an early date as to whether our Government proposes to consider this tender. The authority of this Board does not extend beyond the purchase and distribution of this year's sugar crop, and we venture to suggest the control of sugar for the coming year must now be determined.

I am inclosing herewith a memorandum setting forth the sugar situation as it exists and such information as we possess concerning the prospects for the coming year and other points for your consideration in advising this Board as to the policy you desire to be pursued.

The officers of the Board are prepared to furnish you with any further information that you may desire.

### MEMORANDUM

The United States Sugar Equalization Board, Inc., was incorporated on the 12th day of July, 1918, under the laws of the State of Delaware. The organization of the Equalization Board was accomplished under the approval of the President of the United States, who subscribed for \$5,000,000 of its capital stock (being the entire stock issued), which is now and has at all times been held for and on behalf of the United States.

The plan of the Food Administration for regulation and control of the price of sugar and the distribution thereof for the year 1917-18 in the United States, in view of the necessity for stimulation of production of domestic sugar, was not considered entirely sufficient for the year 1918-19, and thereupon it was concluded that the Equalization Board (under the approval of the President) should endeavor to purchase the entire crop of 1918-19 Cuban sugar, and thereby insure a regular and sufficient supply of sugar to the people of the United States at a reasonable price under then existing conditions.

It must at all times be borne in mind that Cuban sugar is the main reliance of the people of the United States for their annual sugar supply, and while beet sugar and Louisiana cane is produced



in the United States, and the United States gets sugar from Hawaii and others of its possessions, yet the sugar from all such sources is entirely insufficient to meet the normal requirements of the people of the United States, and Cuban sugar has been and, so far as can be seen, will remain the largest single source of supply for the people of the United States for their annual requirements.

On the 24th day of October, 1918, the Equalization Board entered into a contract with representatives of the Cuban Government and agents of various Cuban producers of sugar in the island of Cuba, under which the Equalization Board purchased substantially all the raw sugar produced in the island of Cuba during the crop season of 1918-19.

The Sugar Equalization Board being duly authorized by said contract, resold one third of the Cuban raw sugar purchased by it as aforesaid to the Royal Commission of the United Kingdom, for the use of it and its allies and at the same price at which the raw sugar was purchased under the contract aforesaid.

In furtherance of its plan of securing regular and sufficient supplies of sugar to the American people and the Army and Navy, at a reasonable price, even during the disorganized period of world trade, the Equalization Board, on October 24, 1918, entered into a contract with the refiners of sugar in the United States and Herbert Hoover, as United States Food Administrator, under which the refiners agreed to purchase, and the Equalization Board agreed to sell to the refiners their entire requirements of raw sugar for the operation of their refineries for the period beginning October 24, 1918, and ending December 31, 1919, and the refiners agreed not to purchase any raw sugar from any person, country, or source of supply, during the said period, other than from the Equalization Board. The price to be paid by the refiners for the raw sugar is 7.28 cents per pound, 96° average polarization (duty, if any, paid) delivered at refinery, and the refiners to sell all sugar refined by them at a price not more than 1.54 cents per pound wholesale of refined sugar, f. o. b. refinery, above the price of 7.28 cents per pound paid to the Equalization Board, the result being a wholesale price of sugar throughout the United States of not exceeding 9 cents per pound at refining points.

It will be observed that under the terms of this contract each refiner agrees to conduct his or its export business under the direction of the Equalization Board and to export or distribute to the domestic trade such proportion of its refined sugars as the Equalization Board may direct.

This contract was submitted to the Attorney General and his opinion was received to the effect that the contract was not in violation of any law of the United States.



By their terms, the three contracts aforesaid expire on the 31st day of December, 1919. In view of the fact that the Equalization Board was incorporated and entered into the contracts aforesaid with the approval of the President of the United States, and that the entire stock of the Equalization Board is held by him for and in behalf of the United States, the members of the board of directors of the Equalization Board deem it proper to submit to the President this memorandum.

1. By its purchase of the Cuban raw sugar the Equalization Board has been able to assure, up to this time, to the American people a regular and sufficient supply of refined sugar, and at a wholesale price not exceeding 9 cents per pound at refining points, being the lowest price for refined sugar in any country of the world. Occasional and temporary local shortages have occurred, due principally to the interruption of regular shipments of raw sugar from Cuba during the present marine strike, which occurred at the period of highest consumption.

2. Out of the price at which the raw sugar was sold to the refiners, the Equalization Board has, up to this time, accumulated reserves of about \$30,000,000, which belong to the United States, and but for the contracts aforesaid the Equalization Board believes that the price for refined sugar to the American people would have been much higher and much more would have gone to the Cuban producers, the refiners, or to speculators, at the expense of the American people.

3. There is to-day a world shortage of sugar. Demands are made from Europe and even from Japan for sugar which it is impossible to fill without creating a serious shortage in the United States, and from the information that the Equalization Board has been able to secure, it seems probable that the world sugar shortage for 1920 will be more acute than for the year 1919. . . .

Conditions are so abnormal and the prospect of securing a regular supply of sugar at a reasonable price for the people of the United States for the year 1920 is so uncertain that the Equalization Board concludes, from a commercial point of view, that its duty requires it to suggest to the President that, in reply to the communication from the representatives of Cuban producers, negotiations be entered into for the purpose of securing the sugar required for the necessities of the people of the United States for the year 1920 from Cuba under somewhat the same arrangements as the Equalization Board was able to make with the Cuban commissioners and producers and the refiners in the United States for the year ending December 31, 1919. This suggestion is made entirely from our consideration of the sugar situation from its standpoint of assuring the American people a regular supply at

a reasonable price and, of course, is subject to the general policy of the Government as to the advisability of continuing control and regulation of food commodities.

A dissenting view was filed by one director, Dr. Frank W. Taussig, which was as follows :

I regret not to be able to reach the same conclusion as the other members of the Sugar Equalization Board. I believe that no negotiation should be entered with the Cuban producers, and that the regulation and restriction of sugar prices should cease with the close of the present arrangement, December 31.

It is true that the evidence now available points to a shortage of sugar in 1920 and to a possibility of prices in that year as high as those of 1919, or even higher. But no certain conclusions can be reached about the future. Prices of sugar will be affected not only by the incoming supplies, but by the general political and monetary conditions of the whole world. The general level of prices in the United States and in other countries may be lower than it is now. Consumption may be reduced by changes in general business conditions or by restrictive measures in importing countries. The present recommendation of the board is that the United States (through the Board) should repeat a huge commercial venture, in the hope of protecting consumers and of incurring no loss, but with the clear possibility of having to assume a loss. The operation would involve a guarantee by the Government of extremely high profits to the Cuban sugar planters, and also a virtual guarantee of similar profits to our beet-sugar producers, as well as to the planters of Louisiana, Hawaii and Porto Rico. It would necessarily lead to contracts with the sugar refiners which would guarantee good profits to them also. No doubt in the absence of Government regulation all these producers might make profits higher still; but prediction as to the outcome one way, or the other can not be made with any confidence. Business of this kind may be undertaken by the Government under stress of war, but should cease now that we are at peace.

Moreover, the regulation of the price of sugar cannot in my judgment stand alone. The whole relation of government to industry in time of peace is involved. If the price of sugar is to be specifically controlled, so should that of bread, of meat, of clothing. In the main we must look for a remedy to the natural development of production and to the return of the entire world to normal financial and economical conditions.

The Board received an acknowledgment of the above communication from the White House, but no reply from President Wilson. After a month had elapsed, the Board became anxious over the situation and under heavy pressure from the trade for a statement of a definite policy addressed another letter to the President asking a reply to its former letter. Only an acknowledgment was received. On September 22, the Cuban representatives, in a letter to the Board,<sup>1</sup> withdrew their offer previously made to negotiate for the 1920 crop. On the following day, September 23, 1919, Mr. Zabriskie addressed this communication to the President:

My dear Mr. President: The inclosed copy of a letter<sup>2</sup> from Messrs. Hawley and Rionda, representing the sugar producers of Cuba, is self-explanatory, and in view of the fact that about one third of the Cuban crop of next year has since been disposed of for export to countries other than the United States, we believe that the situation is out of hand.

Therefore in order to protect the interests of the American consumer we have advised American refiners as to conditions, so that they may purchase raw sugar as per prewar times.

Here then was a most important step towards de-control: refiners had been notified to purchase their raw supplies as in prewar times.

The whole sugar situation then became subject to Congressional inquiry and action. On September 27, 1919, Senator New submitted a resolution (66th Congress, 1st Session, S. Res. 197) "directing the Senate Committee on Agriculture and Forestry to investigate the shortage and price of sugar in the United States and so forth." It is unnecessary here to go into the details of this investigation, the conflict between the opposing groups in the Senate and the recommendations of the Committee to Congress, which are all in the records of the Senate. It is only necessary to note that the net

See Appendix, Exhibit 20, for text of this letter, page 234.

<sup>2</sup> *Ibid.*

result of this committee's work was the final enactment of the McNary Bill on December 20, which was as follows :

*An Act*

To provide for the national welfare by continuing the United States Sugar Equalization Board until December 31, 1920, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that the President is authorized to continue during the year ending December 31, 1920, the United States Sugar Equalization Board (Incorporated), a corporation organized under the laws of the State of Delaware, and to vote or use the stock in such corporation held by him for the benefit of the United States or otherwise exercise his control over the corporation and its directors, in such a manner as to authorize and require them to adopt and carry out until December 31, 1920, plans and methods of securing, if found necessary for the public good, an adequate supply and an equitable distribution of sugar at a fair and reasonable price to the people of the United States. Sections 5 and 10 of the Act entitled, "An Act to further provide for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel," approved August 10, 1917, as far as the same relates to raw or refined sugar, sirups, or molasses, are hereby continued in full force and effect until December 31, 1920, notwithstanding the provisions of section 24 of said Act: Provided, That the provisions of this Act shall expire as to the domestic product June 30, 1920. And provided further, That the zone system of sale and distribution of sugar heretofore established by the said United States Sugar Equalization Board shall be abolished and shall not be reëstablished or maintained, and that sugars shall be permitted to be sold and to circulate freely in every portion of the United States. The termination of this Act shall not affect any act done or any right or obligation accruing or accrued, or any suit or proceeding had or commenced in any civil case before the said termination pursuant to this Act; but all rights and liabilities under this Act arising before its termination shall continue and may be enforced in the same manner as if the Act had not terminated. Any offense committed and all penalties, forfeitures, or liabilities incurred prior to such termination may be prosecuted or punished in the same manner and with the same effect as if this Act had not been terminated.



In the period of about three months which elapsed between the beginning of the hearings before the Senate committee and the final passage of the Bill by Congress, several notable steps towards de-control were taken by the Board in coöperation with the Attorney General's office. On October 28, Mr. Zabriskie in a letter to Mr. Post, — chairman of the American Refiners' Committee, — urged that refiners sell any supplies of new crop sugar (which were all purchased on a higher basis than the old crop Cuban) to the sugar-using industries and to sell the old crop sugars to the channels of trade leading to the retail grocer in order that the housewives might obtain the small amounts of the lower priced old crop sugars which were still to come from Cuba. Inasmuch as the sellers of these new crop sugars, which were mostly small parcels of Brazilians, Peruvians, and other full-duty sugars, desired prices of at least fourteen or fifteen cents duty-paid, there was some hesitation on the part of the trade to buy lest the Attorney General consider these prices evidence of profiteering. Accordingly, to prevent these sugars seeking other markets abroad, the Board informed the Attorney General's office of the situation, and received in reply the assurance that the Department of Justice would not trouble purchasers of these higher priced sugars, provided that there were no unreasonable margins in the resale thereof to domestic consumers. This incident was definitely indicative of the change from a specialized control over sugar prices by a Government corporation originally created to regulate that one industry only, to a general regulation by a department of the Government whose powers were applied uniformly to all industries. Other steps in this direction were the activities of the Attorney General in relation to the new crop beet sugar prices and new crop Louisiana cane sugar.

Concurrent with the release of price control (excepting that over the refiners' price on the remnant of the old crop Cuban sugars) import control was released.



On November 8, 1919, the War Trade Board Section of the Department of State announced that after November 10, 1919, free importation of sugar would be allowed from all countries except Cuba and Bolshevik Russia. Supplementing this action, upon the expiration of the Cuban agreement on December 1, 1919, it was announced that free importation of sugar would be allowed (excepting, of course, Bolshevik Russia). On December 31, 1919, the contract with the refiners expired and Government control of the sugar industry through the United States Sugar Equalization Board became a matter of history.

In the meantime, the McNary Bill had been passed to the President for his signature. After obtaining the opinion of the Directors of the Board on the measure<sup>1</sup> President Wilson signed the Bill on December 31, 1919, but issued a statement on the same date to the effect that he did not deem it advisable to utilize the authority conferred upon him by the Bill to have the Board purchase and distribute the 1920 Cuban crop. A few days later, the following lengthy statement was made public at the White House, giving in detail the opinion of the President :

On the basis of the facts presented and the conclusions reached by the Sugar Equalization Board, the President has decided that the authority conferred by the McNary sugar act, passed December 20, so far as it involves the purchase and distribution of the Cuban crop by the Government, should not be exercised.

The matter of repeating the operation of the Government's purchasing and controlling the Cuban sugar crop for another year under war powers came up for active consideration in August, 1919. At that time there was an expectation that the treaty of peace with Germany would be ratified within a reasonable time and that peace conditions would reappear. There appeared to be a very definite view on the part of Congressional leaders that the exercise of war power should not be extended another year.

<sup>1</sup> See Appendix, Exhibit 21, for the letter and memorandum giving the Board's viewpoint on the McNary Bill, page 236.

There was dissent by one member of the Board of Equalization from the conclusion reached at that time by the majority of the Board that the control should be further exercised. His view was that it was desirable to return to normal conditions and that a beginning in respect to sugar should be made. The majority of the Board was definitely of the opinion that the Cuban crop should not be bought unless it was clear that its powers of control over sugar would be effective, and this could not be made certain without action by Congress.

The President had not reached a conclusion in the matter when he started on his Western trip and was taken ill. On October 3, the Equalization Board, through its President, expressed to the Senate Committee its view that the Cuban crop for 1920 should and could be purchased provided the powers of control heretofore exercised by the Board were continued in full until December 31, 1920, thus enabling the Board to see that the consumers should secure refined sugar at a reasonable price. The Board at that time felt it could renew its contract with the Cuban and American producers, as well as with the refiners. No action was taken by the Congress until December 20.

Conditions have now so changed that the members of the Board do not believe that action by it under the provisions of the Act of Congress referred to offers a solution of the problem of securing a regular supply of sugar for the people for the year 1920 at a reasonable price. The Board has had no contract with the Western beet or the Louisiana sugar cane producers for the new 1919-20 crop, which began to come into the market in the fall and, therefore, from about October 15 the control which the Board could exercise applied only to the remainder of the 1919 Cuban sugar crop which it had purchased and which was deliverable on or before November 30, 1919. A considerable quantity of the Cuban crop of 1920 has already been sold overseas and to American refiners. One of the elements which helped materially to make the Board's action for the 1919 crop effective no longer exists. The Board was able to deal with the unified Cuban selling agency for the 1919 crop and to secure and control the entire crops.

Now there is no person or committee authorized to sell the balance of the 1920 Cuban crop. Therefore, if the Government of the United States through the Board should appear in the Cuban market as a purchaser of the sugar it would have to buy in individual lots, to compete with private buyers, and the tendency would be to strengthen the market and further increase the price. Furthermore, it would be compelled to buy sugar at the time of the most adverse market conditions and maximum prices and to

seek to stabilize the price on the basis of this maximum or risk a very considerable financial loss.

Furthermore, the Act of Congress limits the control of the Board over domestic sugars to June 30, 1920, and should the Board succeed in purchasing a large quantity of Cuban sugar for delivery throughout the year 1920, the Board would find itself in the position of trying to maintain a uniform, reasonable price over the whole country with no control whatsoever over the large quantities of sugar from Hawaii and Porto Rico, which come in mainly after June 30, and over the new Louisiana cane and Western beet sugars, and this too at the time of the year when, if at all, absolute control of all sugars by the Board would be essential.

In addition, the Act forbids the Board from putting into effect its present system of zone distribution, under which consumers get their supply from the nearest and most convenient points of production. This system was most useful during the year 1919 in effecting a fair distribution of the available sugar. The conditions in the United States in respect to sugar are such for January, February, and March that there would be little hope of the Board's being able to reduce the price of sugar by purchasing the Cuban crop and attempting to reestablish control of the industry. It is possible that when the flow of raw sugars from the large crops of Cuba and Porto Rico reaches its peak in March and April prices may be somewhat reduced. The refiners' price is now 15.20 per pound wholesale, which is a considerable reduction from the first offerings of sugar refined from new cane sugars. The offerings of refined sugars for February deliveries are at 13.50 cents per pound wholesale, with still further reductions for March, which indicates a tendency in the industry towards settling down to normal conditions.

The recent Act keeps alive the licensing power of the Board, providing that whenever the President shall find that any storage charge, commission, profit or practice of any licensee is unjust or unreasonable or discriminatory or unfair he may order the discontinuance of the same and, if necessary, find what is a just and fair charge, profit or practice. This power will be invoked if necessary and exercised in coöperation with the Department of Justice, will be of assistance in preventing profiteering.

Apparently the supply of sugar available for consumption in the United States will be sufficient to meet the demands of the consumers, even on the present unnecessary large basis of consumption. The United States, it is estimated, consumed in 1919 about 92 pounds for each person as against a normal consumption of 85 pounds. It consumed 600,000 tons of sugar

more than in 1918 and 300,000 tons more than were ever used in the history of the country. It consumed, therefore, over 9,000,000,000 pounds of sugar, or slightly more than 4,500,000 tons.<sup>1</sup> Of this, it normally produces 1,000,000 tons. The Cuban crop is unusually large — about 4,800,000 tons. The crops for Louisiana, the West, Porto Rico and Hawaii will aggregate approximately 2,000,000 tons. Of the Cuban crop, it is estimated that the Allies will take approximately 1,250,000 tons. They might take more but for the fact that their aggregate purchasing power is limited and they must use it not only for sugar but for many other foodstuffs and many raw materials and manufactured commodities. It is apparent, therefore, that the amount of sugar from which America draws her supplies will be large. . . .

Shortly after the issuance of the above statement the President of the Board addressed the following letter to the President of the United States notifying him that the Board was proceeding with the liquidation of its affairs with complete dissolution as its aim, since there was no further function for it to perform.

JANUARY 16, 1920.

To His Excellency

The President of the United States

The White House

Washington, D. C.

My dear Mr. President:

The Board is in receipt of the statement from the White House dated January 3, 1920, advising us that the President had decided not to exercise the authority given him by the McNary Act in respect to the purchase and distribution of the present Cuban raw sugar crop. In this policy the members of the Board concur for the reasons stated in our communication to Secretary Houston of January 2d.

The Sugar Equalization Board was created primarily for the purpose of purchasing and distributing the 1918-19 raw sugar crop. This has now been completed. In view of the decision from the White House, the members of the Board conclude that there are no further duties for it to perform, except to proceed with the liquidation of its affairs in preparation for a dissolution. The Board is acting accordingly.

In the statement from the White House referred to, we find the following in reference to the McNary Act :

<sup>1</sup> Short tons.



"The recent Act keeps alive the licensing power of the Board."

We desire to point out that the Board has never had the power of licensing and the other methods of control given originally by the Food Control Act and continued in part by the McNary Act through the year 1920. The operations of the Sugar Board have been based on voluntary arrangements and agreements with producers and refiners and without the use of any licensing authority. The licensing and other control methods of the Food Control Act were in the Food Administration, and some months ago were lodged in the Department of Justice. That Department now has the sole authority in respect to licensing, hoarding, profiteering and unfair practices, over all foods including sugar, and these administrative and regulatory powers are now being exercised by it; it could also establish a rationing plan if such drastic control seems to the Government advisable.

Yours very truly,

(Signed) Geo. A. Zabriskie,

President U. S. Sugar Equalization Board, Inc.

A reply was received on January 30, 1920, from Mr. Tumulty, acting on behalf of the President, stating that in view of all the circumstances, it seemed proper to proceed with the liquidation of the Sugar Board.

There remained at this date, January 30, 1920, but two vestiges of the war time control of the industry. First, dealings in sugar futures on the New York Coffee and Sugar Exchange had not yet been resumed. These operations in futures, it will be recalled, had been suspended by Mr. Hoover on August 16, 1917. Secondly, the statistical control of the sugar industry which had existed all through 1918-19 was still in operation. Following an exchange of communications among the Board, the Attorney General, and the Board of Managers of the New York Coffee and Sugar Exchange, trading in sugar futures was reestablished on February 16, 1920. The trade rules, however, were amended by the Board of Managers so that daily fluctuations were restricted to one cent per pound as compared with the close of the previous day and also between the high and low prices for any one day.



Although the Board's contract with the refiners expired on December 31, 1919, and it had no legal power to compel refiners to make statistical reports, it was deemed best to request them to continue submitting their usual reports of weekly receipts, stocks, and meltings until it was ascertained definitely what powers under the McNary Act the President of the United States wished the Sugar Board to exercise. One refiner, however, refused to make reports and since it became clear by the end of January that the only task facing the Board was that of liquidation, the system of reports was discontinued at the end of February.

By March first, therefore, all evidence of Government control had been removed and the sugar industry was subject only to those provisions of the Lever Act which the Attorney General enforced upon all food industries. At the present writing the various branches of the trade are functioning as in prewar times, while the Sugar Board is in process of liquidation. As an evidence of this restoration to normal conditions, it is of interest to note the trend of sugar prices. In the latter part of December, 1919, Cuban new crop raws were being sold at 13.55 cents per pound, duty-paid, while present quotations are at 10 cents, showing a decline of about  $3\frac{1}{2}$  cents from the high record then established.<sup>1</sup>

<sup>1</sup> Since the above was written the duty-paid price of Cuban raws soared to \$23.57 per hundred pounds and then dropped to \$13.04. Whether this is a temporary or permanent level for the balance of the crop year, is at present writing uncertain. The cause of this unprecedented increase is a decline in the crop of about 700,000 tons on account of a serious drought.

## CHAPTER IX

### CONCLUSION

IN the preceding pages, the work of the Food Administration and the Sugar Board has been given in detail, showing the manner in which mobilization of the sugar industry for war purposes was effected and how the restoration to prewar conditions was finally brought about in the face of extremely trying economic and political conditions. It is now possible to summarize and evaluate in some degree the policies and activities of the Food Administration and the United States Equalization Board in their control of the sugar industry and trade.

In 1918, when conservation of sugar was a necessity, the Sugar Board, in coöperation with the Food Administration, through supervision of distribution, brought about a saving of about 600,000 long tons or about 1,300,000,000 pounds. But in 1919, when the war emergency no longer compelled conservation measures, the Board provided about 400,000 tons more than the previous maximum record for consumption in the United States and about 600,000 tons more than the normal consumption of the preceding five years. Owing to the depleted supplies in 1918, on the one hand, and the abnormal demand for sugar in 1919, on the other hand, a shifting of supplies from regions of plenty to regions of scarcity was imperative. Such measures were requisite under the existing stabilized price conditions which prevented the normal movement of sugar from one region to another under the stimulus of higher prices in regions of scarcity. A total of 89,428 tons was thus moved.

The total quantity of sugar which was either directly a purchase of the Board or which came under the jurisdiction of the Board and was directly involved in its operations amounted to over 7,000,000 tons, having a value of over one billion dollars.

It is important to note that in the face of a world shortage in production of about 2,000,000 tons the Sugar Board obtained for domestic consumption in 1919 an amount equal to one-half of the world's exportable surplus, or one-quarter of the world's production for the year, whereas in normal times the United States consumes only about one-fifth of the world's production.

WHOLESALE PRICES OF REFINED SUGAR IN VARIOUS FOREIGN COUNTRIES AS OF JULY, 1919

(Normal Rate of Exchange)

| COUNTRY                  | PRICE IN CENTS<br>PER POUND |
|--------------------------|-----------------------------|
| Belgium . . . . .        | 15.5                        |
| Bulgaria . . . . .       | 438.0                       |
| Canada . . . . .         | 10.45                       |
| Cuba . . . . .           | 8.82                        |
| Denmark . . . . .        | 8.51                        |
| France . . . . .         | 16.80                       |
| Germany . . . . .        | 11.73                       |
| German Austria . . . . . | 41.00                       |
| Holland . . . . .        | 10.21                       |
| Hungary . . . . .        | 12.28                       |
| India . . . . .          | 12.99                       |
| Italy . . . . .          | 30.29                       |
| Japan . . . . .          | 19.8                        |
| Java . . . . .           | 10.67                       |
| Norway . . . . .         | 15.70                       |
| Poland . . . . .         | 18 to 27                    |
| Portugal . . . . .       | 23.6                        |
| Spain . . . . .          | 14.61                       |
| Sweden . . . . .         | 16.05                       |
| Switzerland . . . . .    | 13.00                       |
| Ukraine . . . . .        | 75.205                      |
| United Kingdom . . . . . | 12.52                       |
| United States . . . . .  | 8.82                        |

Yet in spite of this large demand and short supply, the consumer in the United States paid less for his sugar than the consumer in any country abroad except Denmark. The table on the preceding page compares the wholesale price of refined sugar in the United States with the prices ruling in other countries in July, 1919. This table is illustrative of the situation during the entire war period.

It is quite conservative to assume, judging by experience since removal of control and from the above table of world prices, that the retail price of sugar under free market conditions would have averaged 15 cents per pound from January, 1918, to October, 1919, taking only the period when complete control existed. According to the figures of the Department of Labor, the average retail price in the United States for this period was 10 cents per pound. On this basis, since the consumption for the period was about 6,700,000 long tons the saving effected reached the enormous total of \$750,000,000 or over \$7 per capita. Nor was the stabilized price unfair to producer or refiner, since as explained in detail above, determination of a proper price followed careful scrutiny of figures of costs of production submitted by producers and refiners and such prices were based on the acceptance of the principle that stimulation of production was eminently desirable. For example the beet farmers of the United States received an average price of \$10 per ton for beets in 1918 as against \$6.12 in 1916, an increase of 63 per cent, while beet-sugar manufacturers received an average of \$8.12 per 100 pounds in 1918 as compared with \$6.98 in 1916, an increase of 16 per cent. Similar increases were obtained by the American refiners, the Louisiana sugar producers, the Cubans, the Hawaiians, the Porto Ricans, in accordance with their respective increasing costs.

A few words as to the effect of Government control on sugar production will be pertinent. The production of

the United States and Cuba from prewar years to date are given in the following table:

Unit: Long Tons

| CROP YEAR            | UNITED STATES |         | PORTO RICO | HAWAII  | CUBA      | TOTAL     |
|----------------------|---------------|---------|------------|---------|-----------|-----------|
|                      | Louisiana     | Beet    |            |         |           |           |
| 1914-15              | 216,696       | 646,257 | 308,178    | 577,186 | 2,592,667 | 4,340,984 |
| 1915-16              | 122,768       | 779,756 | 431,335    | 529,895 | 3,007,915 | 4,871,669 |
| 1916-17              | 271,339       | 734,577 | 448,567    | 575,510 | 3,023,720 | 5,053,713 |
| 1917-18              | 217,499       | 682,867 | 413,958    | 515,035 | 3,446,083 | 5,275,442 |
| 1918-19              | 250,802       | 674,892 | 362,618    | 538,913 | 3,971,776 | 5,799,001 |
| 1919-20 <sup>1</sup> | 103,202       | 650,000 | 426,631    | 500,000 | 4,435,714 | 6,115,547 |

The above figures show the tremendous increase in the production which resulted during the period of Government control in Cuba against which increase the slight decreases in the other sources of supply were negligible. A much higher price than that which prevailed in 1918 and 1919 might have conceivably increased production in the United States beet industry, Porto Rico, and Hawaii to the extent of a few hundred thousand tons, but the wiser policy was adopted of assuming a price level which would encourage production in the only source of supply where large increases could be immediately expected in response to relatively small price increases, that is in Cuba.

Government control of the sugar industry and trade in the war period and in the year of reconstruction which followed, is an interesting example of wholesome and effective coöperation between business, the general public, and a Government organization, functioning in a period of national stress and world upheaval. In order that the experiences and information derived in the period of control might not be lost to the general public, the Directors of the United States Sugar Equalization Board have authorized the publication of this book.

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## APPENDIX



## APPENDIX

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Exhibit 17, Letter from President of the Board to War Trade Board urging the reimposition of wartime control over exports of refined sugar from the United States, July 29, 1919.

Exhibit 18, Memorandum from Dr. Raymond Pearl re the Importance of Sugar as Food, August 9, 1918.

Exhibit 19, Letter from Messrs. R. B. Hawley and Manuel Rionda to Mr. Zabriskie on July 29, 1919, tendering the Cuban Crop of 1919-20 to the U. S. Sugar Equalization Board, Inc.

Exhibit 20, Letter from Messrs. R. B. Hawley and Manuel Rionda of September 22, 1919 to Mr. Zabriskie withdrawing tender of 1919-20 crop.

Exhibit 21, Letter and memorandum to the U. S. Secretary of Agriculture giving the Board's attitude on the McNary Bill.

#### \*STATISTICAL TABLES OF THE SUGAR INDUSTRY OF THE UNITED STATES

Exhibit 22, Receipts and meltings for each refinery for years 1918 and 1919.

Exhibit 23, Shipments of sugar refined for Royal Commission in 1919, by each refiner.

Exhibit 24, Shipments of sugar by refiners exclusive of Royal Commission sugars, 1919.

Exhibit 25, Basic Statistical Data of the U. S. Sugar Industry

for the years 1919 and 1918 compared (as issued by the Statistical Dep't of the U. S. Sugar Equalization Board, Inc.).

Exhibit 26, Sugars supplied for the Army, Navy, and various relief organizations.

## STATISTICS OF THE WORLD'S SUGAR INDUSTRY

Exhibit 27, Effect of the War on World's Sugar Production.

Exhibit 28, Effect of the War on World's Exports.

Exhibit 29, Effect of the War on World's Imports.





CONTRACTS BETWEEN THE PRODUCERS  
OR REFINERS AND THE UNITED  
STATES GOVERNMENT

## EXHIBIT 1

### AGREEMENT AS TO CUBAN SUGARS

1917-1918 CROP

*Agreement* entered into this 24th day of December, 1917, in the City and State of New York, by and between the INTERNATIONAL SUGAR COMMITTEE of the UNITED STATES FOOD ADMINISTRATION, a CUBAN COMMISSION and a CUBAN COMMITTEE FOR ARRANGING COMMERCIAL TERMS appointed by the President of the Republic of Cuba, AGENTS OF VARIOUS CUBAN PRODUCERS acting severally for the producers of sugar in the Island of Cuba, THE ROYAL COMMISSION ON THE SUGAR SUPPLY and REFINERS of sugar in the United States, acting severally, signatory hereto, WITNESSETH:

WHEREAS, pursuant to an Act of Congress, duly approved on the 10th day of August, 1917, and an Executive Order of the President of the United States of the same date, the United States Food Administration has been created and Herbert Hoover has been appointed United States Food Administrator; and

WHEREAS, the said United States Food Administrator has appointed George M. Rolph, Earl D. Babst, William A. Jamison, Sir Joseph White-Todd and J. Ramsay Drake a Committee of the United States Food Administration called the International Sugar Committee, with headquarters in New York, to co-operate with The Royal Commission on The Sugar Supply, of London, England, and to arrange for the purchase of the imported raw sugar requirements of the

United States of America and of other Nations at war with Germany; and

WHEREAS, all refiners of sugar in the United States have heretofore entered into contracts with the said United States Food Administrator, in the form of that annexed and marked Exhibit A, to arrange for the purchase of raw sugar through the said International Sugar Committee and the sale of the same at a maximum refining margin, and the American Refiners' Committee named in the said Exhibit has fixed the basis of proportionate distribution of the said sugar so purchased as is set forth in Exhibit B annexed hereto (both Exhibit A and Exhibit B are made a part hereof); and

WHEREAS, the President of the Republic of Cuba has appointed Carlos Manuel de Cespedes, Ernesto Longa, Miguel Mendoza, Hannibal J. De Mesa and Jose M. Tarafa, a Cuban Commission to arrange for the sale of sugar produced in the Island of Cuba during the crop season 1917-1918 and has also appointed Robert B. Hawley and Manuel Rionda a Cuban Committee for Arranging Commercial Terms of sale of such sugar; and

WHEREAS, the said Cuban Commission have represented that there is power and purpose in the Government of the Republic of Cuba to co-operate in the establishment of a stabilized price for a part or whole of the Cuban crop of 1917-1918, as well as for providing for its sale through and under the authority of a designated entity, such as the International Sugar Committee, and also to control by license the export of any Cuban sugar to any person, entity or country under specified terms and conditions, including price; and

WHEREAS, the said International Sugar Committee and the said Cuban Commission in co-operation with the other parties hereto have arranged for the purchase and sale of sugar produced in the Island of Cuba during

the crop season 1917-1918, upon the terms and conditions hereinafter stated ;

NOW, THEREFORE, the parties hereto each for himself for the part to be performed by him agrees as follows :

## I

The said Cuban Commission will immediately procure that each and every producer of sugar in Cuba, desirous of availing himself of the terms and conditions of this agreement, shall duly authorize an agent in the City of New York (hereinafter called the Seller) to contract for and sell to the International Sugar Committee (hereinafter called the Buyer) as it may require an estimated seventy-five (75) per cent of, or at the Buyer's option as detailed herein, his or their output of sugar deliverable for export f. o. b. at shipping ports in Cuba and c. & f. for United States ports proportionately as hereinafter stated ; said authority to be in writing and filed with the Buyer and shall state the name and location of factory or factories of the said producers and the estimated production of each during the crop season 1917-1918 ; it being understood that an estimated seventy-five (75) per cent of the total amount of the sugar to be produced will aggregate about 2,500,000 tons of 2240 pounds each. The Buyer shall give the Seller a statement of the said authorizations.

## II

Pursuant to the said authorizations the Seller agrees to sell and to deliver and the Buyer agrees to purchase and to receive as it may require raw sugar produced in the Island of Cuba during the crop season of 1917-1918 up to a quantity of 2,500,000 tons, of 2240 pounds each.



## III

About one-third of the aforesaid amount is purchased by the Buyer for the account of The Royal Commission on The Sugar Supply for shipment to Europe at the agreed prices of 4.60 cents per pound f. o. b. Northern Ports, or 4.55 cents per pound f. o. b. South Side Ports basis for 96° centrifugal sugar subject to all the conditions of the usual contract form of The Royal Commission on The Sugar Supply, a copy of which is hereto attached and made a part hereof.

The Royal Commission on The Sugar Supply will use its best endeavors to have vessels in Cuba to ship this sugar as follows: 30/50,000 tons not later than January 15, 1918; 50,000 tons not later than January 31, 1918, and thereafter at the rate of about 80/100,000 tons per month from February 1, 1918.

The remaining two-thirds the Buyer agrees to purchase as it may require for the account of the United States refiners, parties hereto, and the Seller agrees to ship the same at the price of 4.98½ cents per pound c. & f. to New York/Philadelphia, subject to United States Refiners' contract terms, a copy of which is hereto attached and made a part hereof, and subject to arrangement of freights.

Shipments to the United States Ports are to be made as soon as possible and not less than 2 per cent of the amount during December, 1917; the balance in approximate equal monthly shipments from January to November, 1918, both inclusive.

The Buyer reserves the right to order larger quantities shipped in any month to the United States and to Europe if tonnage is obtainable and sugar is produced and available.

## IV

The Seller agrees to the Buyer having the option to purchase part or all of any balance of sugar produced by

the Seller or his principals, and available at Cuban ports beyond the 2,500,000 tons named (not exceeding about one-third thereof for shipment to Europe), on the same terms and at the same prices of 4.98½ c. & f. to New York/Philadelphia, and if for Europe, 4.60 north side Cuba and 4.55 south side Cuba f. o. b.

Said options to be declared on or before the fifteenth days of June, July and August, 1918, respectively, the declaration at any date to be up to a quantity equal to 10% of the 2,500,000 tons referred to herein, namely, 250,000 tons; each producer represented by the Seller to participate in said options in proportion to his allotment of the original 2,500,000 tons.

A further option is given by the Seller to be declared on or before August 15, 1918, for the balance of the crop already made or to be made by the Seller or his principals during the crop year 1918.

In the event that the Buyer does not avail of the above options *seriatim*, then the Seller is free to dispose of any sugar not so taken, but always subject to the provisions of Paragraph 5 herein and to all other provisions of this agreement. In filling United States requirements the Buyer on equal terms agrees to take the sugar of the Seller in preference to other sugar except that produced in the West Indies, in the United States and its Insular Possessions.

## V

At the request of the Cuban Committee for Arranging Commercial Terms, the following indented clause is made a condition hereof:

This contract is negotiated in reliance on the representations of the Cuban Commission that all sugars of the 1917-1918 crop, shipped from the Island of Cuba, shall be by persons, firms or corporations duly authorized and licensed by the Cuban Government, upon the express condition that they

shall not sell or deliver for export at any less prices than the prices agreed upon herein, so long as there shall remain undelivered any portion of the 2,500,000 tons or any balance covered by any of the options detailed herein.

In the event of failure on the part of the Cuban Government to take said above action or in the event of the inoperation, rescission or suspension of such action, it is agreed that the Buyer shall have the right, immediately upon notice in writing to the Seller, to apply any lower prices established as to any *bona fide* sale for export from Cuba, to any portion of the said 2,500,000 tons or of any balance covered by any of the options detailed herein, remaining in and not cleared from Cuba.

It is agreed, however, that sales with the consent of the Cuban Government may be made on terms not inconsistent herewith to Spain or to Pan-American countries, up to a total of 50,000 tons.

## VI

The parties obligated thereto will use due diligence and every effort to provide tonnage, but are released from responsibility by acts or circumstances beyond their control.

## VII

The Seller undertakes all lighterage charges and all customary shipping expenses, and also all Cuban taxes both domestic and export.

The Seller also undertakes to pay all customary expenses, at the port of discharge, including a customary brokerage to be calculated on the average tons of Cuban sugar handled by brokers in the United States heretofore acting in their legitimate capacity as brokers in the three-year period of 1915-16-17.

The Seller further agrees to pay a commission of one-half of one per cent. on the part allocated to the account of The Royal Commission on The Sugar Supply.

### VIII

In the event of any steamer being lost its cargo shall be settled on the Bill of Lading net weights and Cuban tests.

### IX

Except as to any sugars for which steamers have been named for loading, this contract shall become null and void in the event that the existing state of war between the United States and Germany shall have terminated and the fact and date of such termination shall have been ascertained and proclaimed by the President of the United States.

However and whenever this contract is terminated it is agreed that The Royal Commission on The Sugar Supply shall have the option (declarable within 10 days from such event) of carrying out in whole or in part the terms of this contract, including the options detailed herein, for that portion of the sugar allocated by the International Sugar Committee for shipment to Europe, and similarly, each refiner in the United States, party hereto, severally, shall have the option (declarable within 12 days from such event and assignable in whole or in part to any refiner party hereto) of carrying out the terms of this contract, including the options detailed herein, for its, or his, pro rata portion, as set forth in Exhibit B annexed hereto, in the percentages then determined thereunder, as well as the portion of any other party hereto who does not exercise his or its option as herein provided.

### X

All matters of disagreement arising under this contract between the Buyer and the Seller which cannot be ad-

justed by them to their mutual satisfaction, shall be left to arbitration in New York. Each shall select one arbitrator, and the two so selected shall select a third, and the decision of any two of said arbitrators shall be final and conclusive upon the parties hereto. Any expenses attached to such arbitration shall be divided equally between the parties. It is agreed, however, that as to disputes arising on shipments to Europe that the arbitration clause of The Royal Commission on The Sugar Supply shall apply.

## XI

It is further understood that the individual members of the said International Sugar Committee and of the Cuban Committee for Arranging Commercial Terms are acting herein as volunteers, in a purely administrative capacity, without compensation, and accordingly the Seller and the other parties hereto agree that said members of the said Committees shall not incur any personal liability, individually or collectively, under the terms of this contract, nor be responsible for any damage of whatever kind connected with any matter or thing relating to this contract; nor shall they be responsible or liable for any act, fault or misconduct of any agents or persons employed by said International Sugar Committee, and the Seller and the other parties hereto hereby further release and discharge the said individual members of the said Committees from any and all claims of whatever kind for personal liability or responsibility as aforesaid.

## XII

The Cuban Commission acting under the express authority of the Cuban Government will promptly notify the President of the Republic of Cuba of the stipulations contained in this contract and secure such governmental action as is necessary on its part to carry out its terms.



## XIII

By giving five days' notice in writing to the Buyer and the Seller any refiner, party hereto, may cease refining operations at any refinery and thereupon shall be free *pro tanto* of his obligations and of his privileges under this agreement, except as to any sugars already arranged for his account and to arrive within thirty days from the date of said notice. This paragraph shall not be construed to prevent the refining of domestic sugar contracted for prior to date hereof.

IN WITNESS WHEREOF, the parties hereto have subscribed this agreement as of the day and year first above written.

## EXHIBIT 2

UNITED STATES REFINERS' RAW SUGAR CONTRACT  
TERMS, CUBAS—COST AND FREIGHT

.....  
tons of 2240 lb. each of Cuba Centrifugal Sugar.  
Delivery of five per cent more or less than this  
amount to be settled for at the market price of like  
sugars on day of arrival.

SHIPMENT to be made.....  
DESTINATION by Steamer (or Steamers) or by Car-ferry  
*via* Key West. Steamers to be named as soon as  
possible for .....  
but at all events two days before steamer finishes  
loading at the last loading port. The buyer can  
order steamers to New York, Philadelphia, Boston,  
Savannah, New Orleans, Galveston, only one port  
for each trip, subject to supervision by United  
States Governmental shipping agencies.

AT A PRICE of 4.985 cents a pound, cost and freight, New  
York or /and Philadelphia, basis 96° average polar-  
ization, net landed weights, based on a freight rate  
of 38½ cents from North Side Ports west of and

including Caibarien. In case the rate of freight to Boston, Savannah, New Orleans or Galveston is lower/higher than the rate to New York or/and Philadelphia the amount of the reduction/increase from same point of shipment shall be deducted/added to the above price. In case the basis of freight rates from Havana, Matanzas, Cardenas, Sagua and Caibarien to New York or/and Philadelphia is increased/decreased, the above prices shall be increased/decreased by the amount of such increase/decrease.

**DISCHARGE** of the sugar in the United States to be made at a customary safe wharf or refinery, as directed by the buyer. Demurrage and dispatch money at port of destination to be for account of buyer and at port of loading to be for account of seller. Buyer not to be responsible for demurrage or other loss caused by reason of the failure of seller to furnish all necessary Cuban papers. Documents required to effect a prompt entry and discharge of cargo in the United States to be furnished by the consignee. Party in default in producing necessary papers for entry of sugar shall be liable for demurrage of the vessel and for actual expense incurred.

**PAYMENT** to.....by cash in ten (10) days after presentation of shipping documents, or by ten (10) days' sight draft drawn on refiner to whom the cargo may be apportioned, for 95 per cent of the invoice amount with shipping documents attached. Any balance to be paid after final settlement of weights and tests, and interest on same at rate of five per cent to begin to run ten days from entry of steamer. All drafts and payments to be made in New York.

**CANCELLATION** — Should any unforeseen circumstances such as war, rebellion, insurrection, political disturbances, strikes, lack of fuel, riots or civil dis-

turbance in the Island of Cuba prevent the making of the sugar covered by this agreement, sellers shall so advise buyer immediately and be released from delivery of such portion of the crop as cannot be made or delivered, but sellers agree to use due diligence to carry out this contract in its entirety notwithstanding the circumstances mentioned.

Should unforeseen circumstances, such as war, fire, explosion, acts of God and the public enemy, strikes, riots, car shortage, lack of fuel or disturbances in the United States prevent the buyer from receiving, manufacturing or delivering the sugar purchased under this agreement he shall immediately thereupon give notice of such conditions to the seller and the buyer shall be released from any damages by reason of non-acceptance of raw sugar (except sugars afloat and for which steamers have been declared) during the time that the above conditions continue, but the buyer will use all due diligence notwithstanding the unforeseen circumstances to carry out this contract as far as possible in its entirety.

**SAMPLES** to be drawn mutually by buyers and sellers.

Three tests to be made of each sample of sugar, one by seller's chemist, one by buyer's chemist and one by the New York Sugar Trade Laboratory. The average of the two nearest polarizations to be taken as the final test. Settlement on each shipment to be made on the final test, with the allowance of  $1/32\text{¢}$  per pound for each degree above the selling basis up to  $98^\circ$ , and  $1/16\text{¢}$  per pound down for each degree below the selling basis down to  $94^\circ$ , fractions in proportion. Any marks below  $94^\circ$  test  $3/32\text{¢}$  per pound per degree down.

**MARINE AND WAR RISK INSURANCE** to be covered by buyer from shore to shore including risk of lighters at ports of loading and discharge. Any extra marine

insurance in addition to that at the regular rates shall be for vessel's or sellers' account, to be determined in advance, but in no instance for sellers' account in excess of one half of 1%. The buyer is not liable for any excess insurance over regular rates.

### EXHIBIT 3

#### CONDITIONS OF THE USUAL CONTRACT FORM OF THE ROYAL COMMISSION ON THE SUGAR SUPPLY

tons (of 2240 lb. each) of  
Cuba Centrifugal Sugar, Fair average quality of the Crop.  
For Shipment

Free on Board Steamers at  
one or two customary safe Northside Cuban ports for  
each Cargo.

Basis 96% average outturn polarization. For any excess above 96%  $1/32\text{¢}$  per pound per degree to be added to Contract price, for any deficiency below 96%,  $1/16\text{¢}$  per pound per degree to be deducted from Contract price down to 94% pol. If any mark or marks polarize below 94% an allowance of  $3/32\text{¢}$  per pound per degree to be deducted in addition to the aforementioned allowance from 96% to 94%, but no Sugar to be delivered below 93%.

Fractions in all cases in proportion.

Net landed weights & outturn polarization at port of discharge in U. K., U. S. or France.

Usual conditions of sampling and polarizing.

Sellers have the option of delivering at one or two customary safe Southside Cuban ports. Vessels are to receive sugars as fast as possible and the Sellers are to supply the cargoes at not less than 6000 bags per working day at North Side ports and 4500 bags per day at

South Side ports in default of which demurrage is to be paid by sellers at the same rate as heretofore.

Sugar to be shipped in Vessels to be provided by Buyers to load as above. Buyers to give Sellers reasonable notice of expected readiness.

Payment to be made by Buyers in Cash in New York in exchange for complete sets of Bills of Lading and Certificates of Origin (old and new forms) immediately upon receipt of a cable from \_\_\_\_\_, to \_\_\_\_\_, saying that the Documents are in their possession in New York.

Marine insurance from shore to shore, including craft risk loading and discharging, on usual full Lloyd's Conditions to be for Buyers' account.

War risk, if any, to be for Buyers' account.

Any dispute arising out of this Contract to be settled by Arbitration under the rules of the Sugar Association of London (Cane Sugar Section), Buyers being considered as a Refiner.

If Sugar Shipped to Europe, Buyers to give Sellers at once copies of such Documents as are required by, and on forms acceptable to the Customs at port of Destination, including full details of such Consular Certificates as are needful. Sellers to have shipping documents made on similar forms as soon as shipment is complete, but they are not to be held responsible for any delays owing to absence of, or distant locations of Consuls from port of Shipment.

In the event of Buyers failing to provide tonnage as above they are to reimburse Sellers for the actual cost and proved loss of holding over the Sugar, including Interest @ 5% p. a. The provisions of tonnage not to be unduly delayed.



## EXHIBIT 4

REFINERS' AGREEMENT WITH UNITED STATES  
FOOD ADMINISTRATOR OCTOBER 1, 1917

This Agreement, entered into the first day of October, 1917, between HERBERT HOOVER, as United States Food Administrator, acting in this behalf for the President of the United States, and

hereinafter called the Refiner, WITNESSETH, that

WHEREAS, pursuant to an Act of Congress entitled "An Act to provide for the national security and defense by encouraging the production, conserving the supply and controlling the distribution of food products and fuel," Approved August 10th, 1917, and known as the Food Control Act, the President of the United States has duly appointed Herbert Hoover Food Administrator; and

WHEREAS, the said Food Administrator and the undersigned, pursuant to the objects and purposes of the said Act, desire to secure an equitable distribution of sugar throughout the United States during the period of the war, and to prevent unjust, unreasonable, unfair and wasteful commissions, profits, and practices; and

WHEREAS, in order to carry out the purposes of the said Act and the objects of this Agreement, it is deemed advisable that the United States Food Administration, through its International Sugar Committee hereinafter named, should co-operate with the Royal Commission on the Sugar Supply in the purchase of the imported raw sugar requirements of the United States of America and of the other nations at war with Germany; and in the sale of United States refined sugar to such nations; and

WHEREAS, the said Food Administrator, to effect said co-operation with the said Royal Commission on the Sugar Supply, has appointed

GEORGE M. ROLPH of Washington, D. C.  
EARL D. BABST of New York City  
WILLIAM A. JAMISON of New York City  
SIR JOSEPH WHITE-TODD of London, England  
J. RAMSEY DRAKE of London, England

a Committee of the United States Food Administration, to be called the INTERNATIONAL SUGAR COMMITTEE, with headquarters located in New York City, to arrange subject to his approval for the purchase and shipment of sugar to the United States of America and the other nations at war with Germany, and with the duties hereinafter described; and

WHEREAS, the said Food Administrator has appointed  
CLAUS A. SPRECKELS of New York City  
JAMES H. POST of New York City  
CHARLES M. WARNER of New York City  
GEORGE H. EARLE, JR., of Philadelphia, Pennsylvania  
DWIGHT P. THOMAS of Boston, Massachusetts

a Committee of the United States Food Administration, to be called the AMERICAN REFINERS' COMMITTEE, to perform subject to his approval such duties as are hereinafter specified, and has appointed

ROBERT M. PARKER of New York City  
W. J. McCAHAN, JR., of Philadelphia  
BENJAMIN A. OXNARD of Savannah, Georgia  
M. E. GOETZINGER of New York City  
JOHN FARR of New York City  
WILLIAM HENDERSON of New Orleans, Louisiana  
W. T. ELDRIDGE of Sugar Land, Texas

as alternates on said committee, who shall have the privilege of being present at all meetings and serving in the place of any absent member or filling any vacancies in said committee in the order named; and

WHEREAS, the undersigned is a buyer of raw sugar and is desirous of aiding and promoting the efficient administration of said Act and of securing the purposes to be accomplished thereby by voluntary agreement

as authorized by Section 2 of the aforesaid Act of Congress;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree as follows:

1. The United States Food Administrator agrees that the said International Sugar Committee shall arrange for the purchase of raw sugar from the West Indies and such other import sources as are available, for the purpose of supplying and apportioning the requirements of the United States and of the other nations at war with Germany.

2. That all questions of a purely domestic nature coming before the International Sugar Committee in the performance of the duties assigned to it by this contract shall be referred to the American members of said committee for action.

3. That after the date of this agreement the Refiner will not import or purchase any such raw sugar as is described in paragraph one (1), except through the International Sugar Committee of the United States Food Administration, and will permit said Committee to arrange, route and distribute such purchases for Refiner's account, so far as possible according to Refiner's convenience and requirements. Such purchases may be made either direct or through a broker if customary, or otherwise as said International Sugar Committee shall find expedient.

4. That the United States Food Administrator will direct the said American Refiners' Committee to fix the basis of proportionate distribution of the sugar provided by the International Sugar Committee for the United States, among the refiners who enter into this or a similar agreement with him, and to arrange for the apportionment to each refiner of a fair proportion of such sugar. In case of disagreement between the refiner and the American Refiners' Committee, or between the American

Refiners' Committee and the International Sugar Committee, the matter shall be submitted to the United States Food Administrator and his decision shall be final.

5. That in apportioning said sugar to any refiner, as provided in Paragraph 4, the American Refiners' Committee shall take into consideration any written contracts now in effect made by the refiner for the purchase of foreign or domestic raw sugars for delivery after the date of this agreement, and also any contracts which refiner may hereafter make for domestic raw sugars which are not imported into the United States or any purchases of same.

6. On each purchase arranged for by the said International Sugar Committee and the American Refiners' Committee the buyer will pay to the said Committees a sum for each ton that, calculated on the entire tonnage handled by the Committees, will be sufficient to pay the actual expenses of the Committees, this amount to be calculated at such intervals as the Committees may determine.

7. The Food Administrator agrees that he will cause the International Sugar Committee to determine on each business day, and to post in its office and to publish in certain daily newspapers and trade journals to be designated by the Committee, basic prices for 96° centrifugal sugar delivered duty paid refining points.

8. The Refiner agrees that it will sell all sugar refined by it at a price not more than one and three-tenths cents net per pound wholesale of refined sugar on the basis of Fine Granulated Sugar in barrels or in 100 lb. bags (when used as the standard basis) f. o. b. refinery, above the basic price for 96° centrifugal sugar as determined by the International Sugar Committee under Paragraph (7) above and in force on the day when such sale of refined sugar is made, with such differentials as are shown on its official price list. Said net margin shall include the fee paid to the Committee and be exclusive of the 2% cash discount, payment ten days to the trade. This margin



is determined on a delivered duty paid price of from  $5\frac{3}{4}\text{¢}$  to  $6\text{¢}$  per pound, and in case the basic price provided for in Paragraph (7) goes below  $5\frac{3}{4}\text{¢}$  per pound shall be decreased by the United States Food Administrator in such a manner as to return substantially the same profit to the refiner. In case the basic price goes above  $6\text{¢}$  per pound, said margin shall be increased by the United States Food Administrator to accomplish the same purpose.

9. It is mutually agreed that said margin is also subject to revision from time to time by reason of changes in costs of refining and of distribution, or in the event of an excise or similar tax.

10. It is further understood that inasmuch as this agreement has been entered into at the urgent request of the Food Administrator for the purposes above recited and notwithstanding the absence of any statutory power on the part of the Food Administrator to fix the price of raw or refined sugar and in view of the limitation on the price to be secured by the Refiner for its refined product herein agreed to, the said Food Administrator through the said International Sugar Committee and the American Refiners' Committee will co-operate with the Refiner to prevent so far as possible any loss by the said Refiner on any sugar purchased as herein provided.

11. The Refiner agrees to conduct its cargo export business under the supervision of the United States Food Administrator, and in fixing the price to nations represented by the Royal Commission on the Sugar Supply will add not more than the net refining margin for domestic business, with drawback allowance to the buyer of one cent per pound for granulated sugar when made from dutiable imported Cuban raw sugar, unless otherwise approved by the United States Food Administration, such drawback being based on present rate of duty upon Cuban sugars, and to be adjusted in the event of any change in the present rate of duty on Cuban sugar.



12. It is understood and agreed by the Refiner that a violation of any of the terms of this agreement may result in and be cause for revocation of its license.

13. This agreement shall remain in full force and effect from October 1, 1917, until the existing state of war between the United States and Germany shall have terminated, and the fact and date of such termination shall be ascertained and proclaimed by the President and thereupon this Agreement shall end.

IN WITNESS WHEREOF, the parties hereto have subscribed this agreement on the day and year first above written.

BASIS OF PROPORTIONATE DISTRIBUTION FIXED  
ON OCTOBER 26, 1917, BY AMERICAN REFINERS'  
COMMITTEE OF THE UNITED STATES FOOD AD-  
MINISTRATION

RESOLVED, That the proportionate distribution of sugar provided by the International Sugar Committee for the United States, from and after October 1st, 1917, is hereby fixed on the following basis, viz. :

|                                     |        |           |
|-------------------------------------|--------|-----------|
| American Sugar Refining Co. . . . . | 40.650 | per cent. |
| Arbuckle Brothers . . . . .         | 7.000  | " "       |
| California & Hawaiian . . . . .     | 4.803  | " "       |
| Colonial Sugars Co. . . . .         | 2.330  | " "       |
| Federal Sugar Refining Co. . . . .  | 9.605  | " "       |
| William Henderson . . . . .         | .960   | " "       |
| Imperial Sugar Refining Co. . . . . | 1.513  | " "       |
| W. J. McCahan . . . . .             | 2.402  | " "       |
| National Sugar Refining Co. . . . . | 12.007 | " "       |
| Pennsylvania Sugar Co. . . . .      | 4.802  | " "       |
| Revere Sugar Refining Co. . . . .   | .960   | " "       |
| Savannah Sugar Refining Co. . . . . | 2.402  | " "       |
| Warner Sugar Refining Co. . . . .   | 7.204  | " "       |
| Western Sugar Refining Co. . . . .  | 3.362  | " "       |

This basis to be subject to revision whenever the Committee finds it necessary; *provided*, that no refiner shall

be allotted less than two hundred tons per day for each day his refinery shall be in operation.

M. E. GOETZINGER  
*Secretary*

## EXHIBIT 5

### AGREEMENT WITH BEET SUGAR PRODUCERS

1917-1918 CROP

### AGREEMENT WITH UNITED STATES FOOD ADMINISTRATION

This Agreement entered into this  
day of \_\_\_\_\_, 1917, between the  
President of the United States acting by and through  
Herbert Hoover, United States Food Administrator,  
and \_\_\_\_\_ of

hereinafter called the producer,

Witnesseth, That,

WHEREAS, The United States Food Administrator, pursuant to the Act of Congress approved August 10, 1917, known as the "Food Control Act," is about to issue regulations relating to the conduct of the business of all persons importing, manufacturing, storing or distributing sugar, and desires under said Act to secure an equitable distribution of the sugar crop of 1917-1918 and to prevent unjust, unreasonable, unfair and wasteful commissions, profits and practices, and

WHEREAS, The United States Food Administration has *urgently requested* all producers of beet sugar in the United States to enter into a contract with him and for producers who enter into such a contract has determined a maximum price of \$7.25 per hundred pounds, cane basis, seaboard refining points, for the time being, and

WHEREAS, The said Food Administrator would not under the terms of the Food Control Act and under a

system of individual licenses authorized by said Act, or the showing now made, determine a higher price than \$7.25 per 100 pounds, cane basis, seaboard refining points, and

WHEREAS, The President of the United States acting by and through the Food Administrator has appointed a committee of the United States Food Administration to be called the Food Administration Sugar Distributing Committee to carry out subject to his approval the provisions of said Act so far as they relate to the distribution of beet sugar, which Committee is composed of the following persons, to wit:

H. A. Douglas  
E. C. Howe  
W. H. Hannam  
S. H. Love  
W. L. Petrikin  
S. W. Sinsheimer  
W. P. Turner

WHEREAS, The undersigned is a producer of beet sugar and is desirous of aiding and promoting the efficient administration of said Act and of securing the purposes to be accomplished thereby by agreement as authorized by Section 2 of the aforesaid Act of Congress:

NOW, THEREFORE, In consideration of the premises and the agreements of the United States Food Administrator hereafter set forth, the producer hereby agrees:

1. That in selling and distributing beet sugar it shall observe, respect and be governed by any and all orders and regulations which said United States Food Administrator, through the Sugar Distributing Committee, may from time to time make or prescribe, or any general orders made by him, which are applicable to all licenses under the provisions of said Act.

2. That it will ship sugar only at such times, to such

places and in such quantities as may be directed by the United States Food Administrator through the Sugar Distributing Committee, that it will route all sugars as directed by the Sugar Distributing Committee, that it will promptly comply with any and all such directions, and with all orders for change of destination and route, and for reconsignment, and that it will ship all sugar sight draft attached to bill of lading unless otherwise permitted by the Sugar Distributing Committee at the request of the producer; in case of such request being made and such permission being given, should any loss occur, the loss shall be borne by the producer making such request.

3. That unless a special allowance is made by the Sugar Distributing Committee by reason of deterioration or otherwise, it will sell all sugar at the market price ruling on the day of sale, cane basis, less any differential which may be established by the Sugar Distributing Committee and be then in force, between cane sugar and beet sugar; in no case, however, to exceed the maximum price of seven dollars and twenty-five cents (\$7.25) per 100 pounds, cane basis, at seaboard refining points less said differential if any, unless increased by the Food Administrator to meet price fixed for refined cane sugar manufactured from foreign raw sugar; the Sugar Distributing Committee shall have power to fix a differential between cane sugar and beet sugar at its discretion, but no such differential need be established until cane sugar becomes a close competitor of beet sugar, and such differential shall in no event exceed 20 cents per one hundred pounds. *Provided:* That should any excise tax on sugar be levied by the United States Government, the maximum price of \$7.25 per one hundred pounds shall be increased by the amount of said excise tax. That the Sugar Distributing Committee shall determine a schedule of freight differentials at different places, based on freight rates

from seaboard refining points; and a regular schedule of package differentials for package goods, and such differentials shall be observed by the producer in complying with the terms of this paragraph; that the Sugar Distributing Committee shall issue and send to the producer uniform price lists showing the seaboard base price, the differentials, and the terms upon which sugar may be sold; that it will issue a new price list whenever any change occurs in the seaboard base price or in the differential or terms, and that no sale of sugar shall be made by the producer except at the price, differentials and terms shown herein, until the Sugar Distributing Committee shall have issued a new price list showing any such change and mailed a copy of same to the United States Food Administrator; but this clause shall not be construed to authorize the Sugar Distributing Committee to name any higher price than that hereinbefore prescribed.

4. That it will promptly make complete and true reports to the Sugar Distributing Committee of all sales of sugar made by it at such intervals and in such forms as may be required by said Committee.

5. In consideration of the foregoing agreements, the United States Food Administrator agrees that he will cause the Sugar Distributing Committee to direct distribution of the beet sugar crop herein referred to in the most economical and efficient method consistent with an equitable distribution; that at such intervals as the Sugar Distributing Committee may determine he will cause to be calculated by said Committee the average net proceeds per pound of sugar received during a definite period by all the beet sugar producers who shall have entered into a similar agreement with him, less the expense per pound of the Sugar Distributing Committee incurred in the distribution of the beet sugar crop as herein provided, and in case the average net proceeds per pound for sugar, actually re-



ceived by the producer, are less than the general average net proceeds per pound, less such expense, as calculated by the Sugar Distributing Committee, the United States Food Administrator promises to pay to the producer the difference per pound therein, multiplied by the number of pounds sold by the producer during such period, and the final calculation, settlement and distribution in accordance with the provisions of this paragraph shall be made as soon as feasible, but not later than July 31st, 1918.

The producer agrees that if the net proceeds per pound of all sugar received by it is greater than the general average net proceeds per pound less such expense, as calculated by the Sugar Distributing Committee, he will pay to the United States Food Administration, or such person as it may direct, the difference per pound therein, multiplied by the number of pounds sold by the producer during such period. In cases where the Committee has permitted the sale of sugar at less than market prices, unless such decrease in value is caused by some action of the Committee, the difference between the price actually received, and the market price, shall be added to the actual net proceeds of said sugar before averaging the net proceeds of the particular producer or of all producers; and the producer thereof shall stand such loss.

6. Nothing in this agreement shall be construed to limit the power of the President or of the United States Food Administrator to promulgate regulations for the conduct of the business of licensees under Section 5 of the Act of August 10, 1917, known as "The Food Control Act."

7. Sugar shall be delivered to the United States Government for Army and Navy uses when and in such amounts as the Government may require, at prices to be fixed by the United States Food Administrator, and the net proceeds of such sugar shall be included in

calculating the general average net proceeds per pound of all sugar sold by producers entering into this agreement.

8. It is understood and agreed by the producer that a violation of any of the terms of this agreement may result in and be cause for revocation of its license.

9. This agreement shall remain in full force and effect from October 1, 1917, until the entire crop of 1917-1918 shall have been disposed of or marketed.

IN WITNESS WHEREOF, the parties hereto have subscribed to this agreement on the day and year first above written.

### EXHIBIT 6

AGREEMENT AS TO CUBAN SUGARS BETWEEN THE UNITED STATES SUGAR EQUALIZATION BOARD, INC. AND A COMMISSION OF THE REPUBLIC OF CUBA AND AGENTS OF CUBAN PRODUCERS 1918-1919 CROP

Agreement entered into this 24th day of October, 1918, in the City and State of New York, by and between UNITED STATES SUGAR EQUALIZATION BOARD, INC., a corporation of the State of Delaware, party of the first part, CARLOS MANUEL DE CESPEDES, ROBERT B. HAWLEY, and MANUEL RIONDA, a CUBAN COMMISSION, parties of the second part, and AGENTS OF VARIOUS CUBAN PRODUCERS acting severally for the producers of sugar in the Island of Cuba, parties of the third part, WITNESSETH:

WHEREAS, the United States Sugar Equalization Board, Inc., was created and is acting as an agency of the United States for the purpose in part of equalizing the distribution and selling price of sugar, and to that end has power and authority to purchase domestic or foreign raw sugar in such quantities, at such prices and upon such terms and conditions as it may deem advisable, and to resell said sugar in its discretion at, below or

above cost and upon the same or other and additional terms and conditions; and

WHEREAS, the President of the Republic of Cuba by Executive order has appointed Carlos Manuel de Cespedes, Robert B. Hawley and Manuel Rionda a Cuban Commission to arrange for the sale of sugar produced in the Island of Cuba during the crop season 1918-1919, and to pledge the Republic of Cuba to the terms and conditions provided herein to be performed by said Republic; and

WHEREAS, the said Cuban Commission has represented that there is power and purpose in the Government of the Republic of Cuba to co-operate in the establishment of a stabilized price for the whole of the Cuban crop of 1918-1919, and also to control by license the export of any Cuban sugar to any person, entity or country under specified terms and conditions, including price; and

WHEREAS, the said United States Sugar Equalization Board, Inc., and the said Cuban Commission have arranged for the purchase and sale of sugar produced in the Island of Cuba during the crop season 1918-1919, upon the terms and conditions hereinafter stated;

NOW, THEREFORE, the parties hereto each for its or himself for the part to be performed by it or him, or in behalf of others herein described, agree as follows:

## I

The said Cuban Commission agrees that it will immediately arrange that each and every producer of sugar in the Island of Cuba shall duly authorize an agent in the City of New York, one of the parties hereto (hereinafter severally or collectively called the Seller), to contract for and sell to the United States Sugar Equalization Board, Inc. (hereinafter called the Buyer) the whole of his or their output of sugar deliverable at the option and upon

the direction of the Buyer for shipment to the United States, United Kingdom, Canada, France or Italy, or to any other country upon the terms and conditions hereinafter stated; said authorizations shall be in writing and filed with the Buyer and shall state the name and location of the factory or factories of each of the said producers and the estimated production of each during the crop season 1918-1919.

## II

Pursuant to the said authorizations the Seller on behalf of himself and his principals agrees to sell and to deliver to the Buyer all the raw sugar produced by him or his principals in the Island of Cuba during the crop season of 1918-1919 (except that actually used for local consumption in Cuba) and the Buyer agrees to purchase and receive the same, on the following terms:

For shipment to the United States at the price of 5.88 cents<sup>1</sup> per pound c. & f. to New York/Philadelphia basis 96° average outturn polarization, net landed weights, based on a freight rate of 38½ cents per 100 pounds from North Side Ports west of and including Caibarien, subject to United States Raw Sugar contract terms, a copy of which is hereto annexed marked Schedule A and made a part hereof;

For shipment to the United Kingdom, France and Italy at the price of 5.50 cents per pound f. o. b. Northern Ports, or 5.45 cents per pound f. o. b. South Side Ports basis for 96° centrifugal sugar, subject to all the conditions of the usual contract form for shipment to these

<sup>1</sup> (NOTE.) Inasmuch as the Buyer assumes all risk of insurance up to an average rate of 31c. per \$100, which risk includes the excess insurance of 7c. per \$100 paid by the Seller under the agreement for the 1917-1918 crop, the basic cost and freight price is made 5.88c. per pound for shipments to the United States in place of 5.885c. per pound. The difference of .005 is to compensate the Buyer for the excess insurance paid by the Seller under the agreement for the 1917-1918 crop and to provide for the contingency of advancing rates under the Buyer's average rate policy up to an average of 31c. per \$100.



countries, a copy of which is hereto annexed marked Schedule B and made a part hereof;

For shipment to Canada, if shipped direct to a Canadian port, at the same prices and upon the same terms as are provided for shipments to the United Kingdom, except that all matters of disagreement shall be determined pursuant to the provisions of Article VI hereof, but if shipped via a United States port, at the same prices and upon the same terms as are provided for shipments to the United States.

For shipment to all countries other than the United States, the United Kingdom, Canada, France and Italy, at the same prices and upon the same terms as are provided for shipments to the United Kingdom, except, however, that net shipping weights, less 1%, and Cuban tests shall be accepted by the Buyer and the Seller (weight to be calculated on U. S. standard), and that payment for such sugar shall be made by the Buyer in cash in New York in ten days after presentation of shipping documents, or, at Seller's option, by ten days sight draft drawn on Buyer with shipping documents attached, and except that all matters of disagreement shall be determined pursuant to the provisions of Article VI hereof.

Shipments are to be made as soon as possible after grinding commences and not less than 2 per cent of the amount shall be shipped during December, 1918; the balance in approximate equal monthly shipments from January to November, 1919, both inclusive.

Sugar shall be shipped in sound jute bags containing approximately 325 lb. each. In all cases where shipment is made in second hand bags there shall be deducted not less than 15 cents for each second hand bag.

The Buyer reserves the right to order larger quantities shipped in any month if tonnage is obtainable and sugar is produced and available.

The Buyer will notify the Seller from time to time of proposed allocations of sugar for shipment as between



the United States and other countries, and shipments shall be made as directed.

The Seller undertakes to pay all lighterage charges and all shipping expenses, and also all Cuban taxes both domestic and export.

On all shipments on the c. & f. basis provided in Schedule A, the Seller undertakes to pay all necessary expenses at the port of discharge to effect delivery to Buyer on such safe wharf or refinery dock as may be designated by Buyer.

The Seller agrees to pay to the Buyer a commission of one-half of one per cent on the sugar shipped to other than United States ports.

The Seller agrees to pay on the sugar shipped to United States ports, a brokerage to be calculated on the average tons of Cuban sugar handled by brokers in the United States heretofore acting in their legitimate capacity as brokers in the three year period of 1915-16-17, but the total disbursement for this purpose shall not exceed \$350,000. The concurrent decision of the Buyer and the Cuban Commission shall be final and conclusive on any question or dispute arising under this clause.

In the event of any steamer being lost its cargo shall be settled on the Bill of Lading net weights and Cuban tests as soon as possible but not later than 30 days after proof of loss.

The parties obligated to provide tonnage will use due diligence and every effort so to do, but are released from responsibility by acts or circumstances beyond their control.

Marine Insurance to be covered by the Buyer from shore to shore including the risk of lighterage to and from the vessel at ports of loading and discharge. Sugar shall not be loaded on any steamer, nor other vessel not acceptable to the insurers under Buyers' average rate policy, unless specific directions to load an unacceptable vessel are given by either the Buyer or the Seller and insurance

satisfactory to the Buyer is obtained. When such specific directions are given, the excess insurance over an average rate of 31¢ per \$100 shall be paid by the party ordering the vessel loaded. All war risk, from shore to shore, is for account of Buyer.

### III

The Buyer shall have the right from time to time to assign this contract, without recourse, in respect to any part of the sugar contracted for herein, to the Governments of the United Kingdom, Canada, France or Italy, or to any duly constituted agency representing all or either of said governments, or to any sugar refiner of the United States. The Buyer, upon making any such assignment, shall give notice thereof to the Seller.

### IV

The purchase of the sugar crop of 1918-1919 by the Buyer as herein provided is made in reliance upon the representation and agreement of the Cuban Government that it will effectually prohibit any sugars of the 1918-1919 crop from being shipped or exported from the Island of Cuba except under this contract, and that it will enact such laws and promulgate such orders and decrees as are necessary to faithfully fulfill and observe the stipulation and condition aforesaid.

In the event of failure on the part of the Cuban Government to take the action above provided, or to faithfully fulfill and observe said stipulation and condition, or in the event of the inoperation, rescission or suspension thereof, the Buyer shall have the option, upon notice in writing to the Seller, to cancel this contract in respect to any undelivered portion of the said sugar crop of 1918-1919.

If the Seller fails to deliver the sugar required to be delivered to the Buyer under this contract or if any sugar

is directly or indirectly shipped or exported from the Island of Cuba by the Seller or his principal to any consignee other than the Buyer or its assigns, the Buyer shall have the right, either in law or in equity, to sue for and recover all damages resulting therefrom, whether or not the above option of cancellation is exercised.

## V

This contract is also made in reliance upon the representation and agreement of the Cuban Government that it will place no restrictions or embargoes on the export of molasses to the United States.

## VI

All matters of disagreement arising under this contract between the Buyer and the Seller which cannot be adjusted by them to their mutual satisfaction, shall be left to arbitration in Washington. But before any arbitration can be called by the Seller the matter in dispute shall be submitted by it or him to the Cuban Commission and its approval of and consent to the arbitration obtained in writing. For the purposes of the arbitration, the Buyer and the Seller shall each select one arbitrator, and the two so selected shall select a third, and the decision of any two of said arbitrators shall be final and conclusive upon the parties thereto. Any expenses attached to such arbitration shall be divided equally between said parties. It is agreed, however, that as to disputes arising on shipments to the United Kingdom, France or Italy the arbitration clause in Schedule B shall apply.

## VII

The Cuban Commission is acting hereunder solely in a representative capacity as an administrative agency

of the Cuban Government under the express authority of said Government and its members do not assume nor shall they be charged with any personal liability. Upon the execution of this contract the Cuban Government will promptly take such governmental action as is necessary on its part to carry out its terms. It is understood and agreed by the parties hereto that the obligations of the Buyer hereunder are conditioned upon the undertakings of the Cuban Government herein expressed and upon the faithful fulfillment and observance thereof.

It is also agreed that the stockholders, directors and officers of the United States Sugar Equalization Board, Inc., do not assume nor shall they or either of them be charged with any personal liability under this contract or in respect to any matter or thing arising therefrom.

### VIII

It is contemplated by the Buyer and Seller that the greater part of the sugar delivered for shipment to the United States will be resold directly or indirectly to the Atlantic and Gulf sugar refiners of the United States, who will be made the consignee of such sugar. For the convenience of the parties in all such cases, it is agreed that before departure of vessel from loading port the Seller, upon the request of the Buyer, will execute with the consignee a confirmation in the form of Schedule A hereto annexed, and will settle with such consignee in accordance with this contract, and it is further agreed that the Buyer will guarantee performance by the consignee unless the sugar is assigned pursuant to Article III hereof. All such consignments shall be by negotiable Bill of Lading to Seller's order duly endorsed and said Bill of Lading shall not be delivered to consignee until payment for 95% of the invoice is made as provided in said Schedule A.

## IX

It is agreed that the Seller or his principals shall not export from the Island of Cuba during the term of this contract any edible syrups fit for human consumption from which sugar may be commercially extracted without the consent of the Buyer.

## X

Should any unforeseen circumstances such as war, rebellion, insurrection, political disturbances, strikes, lack of fuel, riots or civil disturbance in the Island of Cuba prevent the making of the sugar covered by this contract, the Seller shall so advise the Buyer immediately and thereupon shall be released from delivery of such portion of the crop as cannot be made or delivered, but the Seller agrees to use due diligence to carry out this contract in its entirety notwithstanding the circumstances mentioned.

Should any unforeseen circumstances, such as war, fire, explosion, acts of God and the public enemy, strikes, riots, car shortage, lack of fuel, lack of storage facilities or disturbances in the United States prevent the Buyer from receiving, or delivering or the refiners of the United States from refining the sugar purchased under this contract the Buyer shall immediately give notice of such conditions to the Seller and thereupon the Buyer shall be released from any damages by reason of non-acceptance of raw sugar (except sugars afloat) during the time that the above conditions continue, but the Buyer will use all due diligence notwithstanding the unforeseen circumstances to carry out this contract as far as possible in its entirety.

IN WITNESS WHEREOF, the parties hereto, being duly authorized, have executed this agreement as of the day and year first above written.



## SCHEDULE A

## CONFIRMATION

U. S. RAW SUGAR CONTRACT  
CUBAS — COST AND FREIGHT

New York, . . . . ., 191..

To . . . . . REFINING CO. hereinafter  
called "Consignee"

At the request of the United States Sugar Equalization Board, Inc., we hereby confirm the sale to you for its account under the terms of the Agreement as to Cuban Sugars, 1918-1919 crop, dated October 24th, 1918, of about . . . . . long tons of Cuba Centrifugal Sugar. Delivery of five per cent more or less than this amount to be settled for on same basis.

SHIPMENT to be made by negotiable bill of lading per s/s . . . . . expected to load at . . . . . about . . . . . 191.. for port of . . . . . via Steamer (or Steamers) or by Car-Ferry via Key West. The Consignee must give notice of destination at least two days before steamer finishes loading at the last loading port. The Consignee can order steamers to New York, Philadelphia, Boston, Savannah, New Orleans or Galveston, but to only one port for each trip.

AT A PRICE OF 5.88 cents a pound, cost and freight, basis 96° average outturn polarization, net landed weights, and is based on a freight rate of  $38\frac{1}{2}$  cents from North Side Ports west of and including Caibarien to New York or/and Philadelphia. In case the rate of freight to Boston, Savannah, New Orleans or Galveston is lower/higher than the rate to New York or/and Philadelphia from said North Side Ports, the amount of the reduction/increase shall

be deducted from/added to the above price. In case the rate of freight from said North Side Ports to New York or/and Philadelphia is increased/decreased, the above price shall be increased/decreased by the amount of such increase/decrease.

**DISCHARGE** of the sugar in the United States to be made at a customary safe wharf or refinery, as directed by the Consignee. Demurrage and dispatch money at port of destination to be for account of Consignee and at port of loading to be for account of Seller. Consignee not to be responsible for demurrage or other loss caused by reason of the failure of Seller to furnish all necessary Cuban papers. Documents required to effect a prompt entry and discharge of cargo in the United States to be furnished by the Seller. Party in default in producing necessary papers for entry of sugar shall be liable for demurrage of the vessel and for actual expense incurred.

**PAYMENT** to be made by the Consignee to

either in cash on presentation of all necessary shipping documents or at Buyer's option by one day sight draft attached to negotiable bill of lading to Seller's order, duly endorsed, for 95% of the invoice, based on net shipping weights and tests, less interest for nine days at the rate of 6% per annum. Any balance to be paid immediately after final settlement of weights and tests, with interest on balance at the rate of 6% per annum from ten days after date of entry of steamer. If sugar is shipped in sailing vessel payment to be made in cash on presentation of documents after entry of vessel at Customs House, for 95% of the invoice based on net shipping weights and tests, any balance to be paid immediately after final settlement of weights and tests with interest on said balance as above. All payments to be made in New York or New York Exchange.

SAMPLES to be drawn mutually by Consignee and Seller.

Three tests to be made of each sample of sugar, one by Seller's public chemist, one by Consignee's public chemist and one by the New York Sugar Trade Laboratory. The average of the two nearest polarizations to be taken as the final test. Settlement on each shipment to be made on the final test, with the allowance of  $1/20\text{¢}$  per pound for each degree above the selling basis up to  $98^\circ$ , and  $1/10\text{¢}$  per pound for each degree below the selling basis down to  $94^\circ$ , fractions in proportion. Any marks below  $94^\circ$  test  $3/20\text{¢}$  per pound per degree down, fractions in proportion, but no sugar to be delivered below  $93^\circ$ , unless on discount terms mutually satisfactory to Consignee and Seller.

MARINE AND WAR RISK INSURANCE arranged by United States Sugar Equalization Board, Inc.

## SCHEDULE B

CONDITIONS OF THE USUAL CONTRACT FORM FOR SHIPMENT TO THE UNITED KINGDOM, FRANCE AND ITALY

tons (of 2,240 lbs. net each) of  
Cuba Centrifugal Sugar, Fair average quality of the Crop.

For Shipment.

Free on Board Steamers at  
one or two customary safe Northside Cuban ports for each Cargo.

Basis 96% average outturn polarization. For any excess above 96%  $1/20\text{¢}$  per lb. per degree to be added to Contract price; for any deficiency below 96%,  $1/10\text{¢}$  per lb. per degree to be deducted from Contract price down to 94% pol. If any mark or marks polarize below 94% an allowance of  $3/20\text{¢}$

per lb. per degree to be deducted in addition to the aforementioned allowance from 96% to 94%, but no Sugar to be delivered below 93%.

Fractions in all cases in proportion.

Net landed weights & outturn polarization at port of discharge.

Usual conditions of sampling and polarizing.

Sellers have the option of delivering at one or two customary safe South Side Cuban ports. Vessels are to receive sugars as fast as possible and the Sellers are to supply the cargoes at not less than 6,000 bags per working day at North Side ports and at Cienfuegos and 4,500 bags per day at all other South Side ports in default of which demurrage is to be paid by sellers at the same rate as heretofore.

Sugar to be shipped in Vessels to be provided by Buyers to load as above. Buyers to give Sellers reasonable notice of expected readiness.

Payment to be made by Buyers in Cash in New York in exchange for complete sets of Bills of Lading and Certificates of Origin (old and new forms) immediately upon receipt of a cable from , to

, saying that the Documents are in their possession in New York.

Marine Insurance from shore to shore, including craft risk loading and discharging, on usual full Lloyd's Conditions to be for Buyers' account.

War risk, if any, to be for Buyers' account.

Any dispute arising out of this Contract to be settled by Arbitration under the rules of the Sugar Association of London (Cane Sugar Section), Buyers being considered as a Refiner.

If Sugar Shipped to Europe, Buyers to give Sellers at once copies of such Documents as are required by, and on forms acceptable to the Customs at port of Destination, including full details of such Consular Certificates as are needful. Sellers to have shipping documents made on

similar forms as soon as shipment is complete, but they are not to be held responsible for any delays owing to absence of, or distant locations of Consuls from port of Shipment.

In the event of Buyers failing to provide tonnage as above they are to reimburse Sellers for the actual cost and proved loss of holding over the Sugar, including Interest @ 5% p. a. The provisions of tonnage not to be unduly delayed.

## EXHIBIT 7

### AUTHORIZATION TO SELL UNDER AGREEMENT AS TO CUBAN SUGARS

CROP OF 1918-1919

CUBA, OCTOBER 24th, 1918.

.....

.....

New York, U. S. A.

DEAR SIR:

By these presents we authorize you to sell to the United States Sugar Equalization Board, Inc., under the Agreement as to Cuban Sugars, Crop of 1918-1919, dated the 24th day of October, 1918, by and between the United States Sugar Equalization Board, Inc., the Cuban Commission and various sellers of Cuban sugar, all parties signatory thereto, a copy of which Agreement we have read and now hold, all sugar to be produced by us, or by plantations we represent, during the crop year 1918-1919, except that actually sold for local consumption in Cuba.

We attach hereto a list of our plantations participating in said Agreement and a conservative estimate of the amount of sugar that will be produced by each during the crop year 1918-1919, in tons of 2240 pounds each, also statement showing actual outturn of the same plantations for crop of 1917-1918.



These presents will serve as your authorization to sign the said Agreement for and in behalf of ourselves and the plantations enumerated herein.

We authorize and direct you to pay to the Buyer  $\frac{1}{2}$  of 1% commission on all sugar produced on our plantations and shipped to other than United States ports.

We also authorize and direct you to pay to the Cuban Adjustment Committee hereinafter named  $\frac{1}{8}$  of 1% on all sugars shipped to United States ports, and said Adjustment Committee is authorized and directed to pay to each of the brokers in the United States who received brokerage on the sugar shipped to the United States of the 1917-1918 crop, the same amount as was allotted to them on that crop by the Committee on brokerage appointed for that purpose, and said Adjustment Committee is authorized to use for its purposes hereinafter stated any balance that may remain in its hands.

We also consent and agree to the appointment by the United States Sugar Equalization Board, Inc., of a Committee to be known as the Cuban Allotment Committee, with headquarters in New York, to consist of the following members :

MR. B. BRAGA RIONDA

MR. T. A. HOWELL

MR. W. M. CARSON

MR. F. DE ZALDO

MR. JOHN GILMOUR

The duties of this Committee will be to handle, supervise and direct the details of carrying out the allocations of sugar and its shipment from Cuba, as may be necessary in the interests of the respective parties, and we agree to carry out its directions. The membership of said Committee may be changed from time to time by the United States Sugar Equalization Board, Inc.

We also consent and agree to the appointment by the Cuban Commission appointed by President Menocal, the personnel of which is as follows :

HON. CARLOS MANUEL DE CESPEDES

MR. ROBERT B. HAWLEY

MR. MANUEL RIONDA

of a Committee to be known as the Cuban Adjustment Committee to handle all matters (not involving sugar allocations) such as financial adjustments, problems involved in "shorts and overs" in cargoes, insurance matters, demurrage and dispatch, and all other adjustments that might be necessary in the interest of all parties to the Agreement as to Cuban Sugars, Crop of 1918-1919, or in connection with the Charter Party under which the sugar will be transported, or in connection with the payment and settlement of all brokerage matters arising out of deliveries to the United States or Canada, and we agree to abide by the decision and action of said Committee in all such matters; said Committee to consist of the following five members, or as the same may be changed from time to time by the Cuban Commission:

MR. JAMES H. POST

MR. MANUEL E. RIONDA

MR. EDW. S. McMANUS

MR. JAS. S. CONNELL

MR. WM. W. GARDINER

In order to defray the expenses of the Cuban Adjustment Committee and any legitimate adjustments that might be necessary in carrying out the Agreement as to Cuban Sugars, Crop of 1918-1919, we hereby authorize you to pay to the Cuban Adjustment Committee 2¢ per bag on each bag of sugar shipped by us and sold under said Agreement. It is understood, however, that the Cuban Adjustment Committee shall at stated periods render an accounting to the Cuban Commission of its receipts and disbursements and any balance remaining in the hands of the Cuban Adjustment Committee on the termination of said Agreement shall be disposed of as the Cuban Commission, for and in the name of the Cuban Government, may determine.

We hereby further agree to furnish to the Cuban Allotment Committee for use of the United States Sugar Equalization Board, Inc., a weekly statement showing:

*First:* The production of sugar on each of our plantations during the previous week;

*Second:* Our production to date;

*Third:* Our shipments for export for the week and up to date;

*Fourth:* Our sales for direct consumption in Cuba for the week and up to date;

*Fifth:* Our sales to local buyers (not for direct consumption) for the week and up to date, and names of such buyers;

*Sixth:* Our deliveries to Colonos for the week and up to date;

*Seventh:* Amount of sugar on hand at end of each week in our possession wherever located.

Yours truly

\* (1) .....  
 (2) .....  
 .....

\* (1) Sign here  
 (2) Give address

## EXHIBIT 8

AGREEMENT BETWEEN THE UNITED STATES SUGAR EQUALIZATION BOARD, INC., AND HERBERT HOOVER, UNITED STATES FOOD ADMINISTRATOR, AND UNITED STATES SUGAR REFINERS, OCTOBER 24, 1918.

AGREEMENT entered into this 24th day of October, 1918, in the City and State of New York, between the UNITED STATES SUGAR EQUALIZATION BOARD, INC., a corporation of the State of Delaware, hereinafter described as the "EQUALIZATION BOARD," and the Refiners of Sugar in the United States acting severally, signatory hereto, hereinafter described as the "REFINERS," and

HERBERT HOOVER, as United States Food Administrator, hereinafter described as the "FOOD ADMINISTRATOR," WITNESSETH:

WHEREAS, the Equalization Board has been created and is acting as an agency of the United States for the purpose in part of equalizing the distribution and selling price of sugar, and contemporaneously with the execution of this Agreement has entered into an Agreement bearing even date herewith for the purchase of raw sugar produced in the Island of Cuba during the Crop Season 1918-19, which Agreement, described as the "CUBAN AGREEMENT," is hereto annexed and marked "Exhibit A," and

WHEREAS, with a view to securing regular and sufficient supplies of sugar to the American people and the Army and Navy at a reasonable price, even during the disorganized period of world trade, the Equalization Board has, in the interest of the American people and the Allies, purchased the Cuban Sugar Crop of 1918-19 for distribution to the American people, their Allies and others, and

WHEREAS, the Food Administrator and the Equalization Board are desirous of securing an equality of distribution of said sugars according to the requirements or to secure such exports from said sugar as may be in surplus and may be determined by the agencies of the Government as necessary to meet its international obligations, and

WHEREAS, it is necessary and advisable in order to secure an equitable distribution of sugar throughout the United States to apportion Cuban and other sugars among the Refiners for their requirements, and to that end to continue THE AMERICAN REFINERS' COMMITTEE, and

WHEREAS, the American Refiners are desirous of fully co-operating with the agencies of the Government in the purposes above set forth,

NOW, THEREFORE, the parties hereto in consideration of the premises and the mutual covenants herein contained, each for itself and himself, for the part or proportion of this Agreement to be performed by it or him, severally and not jointly, agree as follows :

## I

The Food Administrator and said Refiners agree that the Agreement of October 1, 1917, between the Refiners and the Food Administrator, shall be and same hereby is cancelled and annulled so far as the rights and obligations of the parties hereto to each other are concerned, except as to such sugars of 1917-18 crop as have not been delivered.

## II

Such of the following named persons as are officers of companies signatory hereto, are hereby appointed by the Food Administrator for the period of this agreement and shall constitute the American Refiners' Committee with the powers and duties hereinafter set forth

JAMES H. POST, Chairman

CLAUS A. SPRECKELS

CHARLES M. WARNER

GEORGE H. EARLE, JR.

ROBERT M. PARKER

and the following named persons who are representatives of companies signatory hereto are appointed as alternates on said committee, who shall have the privilege of being present at all meetings and serving in the place of any absent member or filling any vacancies in said Committee in the order named

DWIGHT P. THOMAS

W. J. McCAHAN, JR.

BENJAMIN A. OXNARD

M. E. GOETZINGER

JOHN FARR



WILLIAM HENDERSON  
W. T. ELDREDGE  
E. L. WEMPLE.

### III

Until the 31st day of December, 1919, the Refiners will not purchase any sugar except from the Equalization Board, other than such sugars as are provided under the said Agreement of October 1, 1917, and Hawaiian sugars hereinafter referred to, provided, however, that Refiners may purchase sugars, other than the crop of 1918-19, for delivery after December 31, 1919.

### IV

The sugar provided by the Equalization Board shall be distributed among the Refiners who enter into this Agreement to meet their requirements, in the proportions set forth in "Exhibit B," which is made a part hereof and in case there is a disagreement between a Refiner and The American Refiners' Committee as to apportionment, the matter shall be submitted to the United States Food Administrator and his decision shall be final, and any sugar received by a Refiner from any source shall be charged against his *pro rata* amount under such distribution. The Hawaiian sugar that may be deliverable under any contract to any Refiner party hereto shall be taken over in rotation in an order to be determined by lot to be drawn by the Chairman of the American Refiners' Committee and upon the terms provided for in such contract for account of the New York and Philadelphia Refiners, parties hereto, and the rights and obligations of the purchaser under said contract are to be assumed by said Refiners.

### V

The American Refiners' Committee is, under the direction, supervision and control of the Equalization

Board, hereby charged with the duty and responsibility on behalf of the Refiners hereto, of arranging, routing and distributing to the several Refiners, the sugar to be purchased as hereinafter set forth from the Equalization Board, and such duties shall, so far as possible, be carried out in accordance with the requirements and convenience of the several Refiners.

## VI

The several Refiners, not in any way limiting their ordinary power or business discretion to determine to what extent they may severally operate their refineries, agree to and do hereby purchase from the Equalization Board, and the Equalization Board agrees, subject to its commitments from time to time to Governments or persons outside the United States and to the requirements of the United States Government and buyers in the United States other than refiners, to sell to the Refiners their entire requirements of raw sugar for the operation of their several refineries for such time as the respective refiners in their respective judgments determine to operate their respective refineries, for the period beginning with the date of this Agreement and ending on December 31, 1919, (except such raw sugars as are purchased by the Refiners under the Agreement of October 1, 1917, and the Hawaiian Contracts herein referred to); and they severally agree not to purchase any sugar from any person, country or source of supply, during said period, other than from the Equalization Board.

For all such purchases of sugar from Cuba the several Refiners agree to pay the price of seven and twenty-eight one-hundredths cents (7.28) per pound, 96 degree average outturn polarization (duty, if any, paid).<sup>1</sup>

<sup>1</sup> For sugar polarizing over 96 degrees there shall be added to the price 7c. per 100 pounds per degree up to 98 degrees. For sugar polarizing under 96 degrees there shall be deducted from the price 12c. per 100 pounds per degree down to 94 degrees. For sugar polarizing between 94 degrees down to 93 degrees there shall be deducted from the price 17c. per 100 pounds per degree, fractions in proportion.

All sugar furnished the Refiners from Cuba shall be settled for by each Refiner on the same terms and conditions under which said sugar was purchased by the Equalization Board under the Cuban Agreement. The Refiners severally agree for their proportions of the Cuban sugar hereby purchased by them to pay the amounts required to be paid by the Equalization Board, under, by and in accordance with the terms of the Cuban Agreement and in addition thereto to pay to the Equalization Board the difference between the amount per pound they are required to pay under the Cuban Agreement for the sugar delivered and 7.28 cents per pound for 96 degree test.

The Equalization Board states that the amount so paid to it may be used by it for the liquidation of any losses it may incur on excess stocks of sugar purchased by it or in equalizing the distribution or price of sugar to the American people. Any balance in the treasury of the Equalization Board after the discharge of its obligations hereunder and other liabilities belongs to its only stockholder, the United States.

## VII

The Refiners severally agree to receive, accept and pay for any sugar, other than from Cuba, which may be purchased by the Equalization Board from time to time, for the requirements of such Refiners, respectively as stated in paragraph VI, at the price of seven and twenty-eight one-hundredths (7.28) cents per pound 96 degree test, average outturn polarization (duty, if any, paid) delivered at refinery, with allowances for differences in test as specified in Paragraph VI, provided that the Sugar Equalization Board is not required to deliver sugar under this and the preceding Paragraph VI unless due notice of the requirements of such refiner is given to the said Board and the sugars are reasonably obtainable

at a delivered duty paid price of seven and twenty-eight one-hundredths cents (7.28) per pound or less.

### VIII

Marine insurance on sugar purchased by the Equalization Board on a cost and freight basis shall be arranged by the American Refiners' Committee under direction of the Equalization Board, from shore to shore, including the risk of lighterage to and from the vessel at ports of loading and discharge, the cost thereof to be paid by the Refiners severally and charged against the price of the sugar delivered hereunder.

### IX

The Equalization Board, however, reserves the right in its sole discretion, from time to time, to change the price to the Refiners as to any sugar to be delivered under this Agreement, upon giving fifteen (15) days previous notice of such change of price, and in case of any such change of price, settlement by the Refiners for their purchases of all sugar shall thereafter be upon the basis of such changed price instead of the seven and twenty-eight hundredths (7.28) cents per pound 96° test above mentioned. Due regard to be given allowances up and down from 96 degrees.

### X

In making settlement for sugars purchased by them hereunder, the Colonial Sugars Company and the Leon Godchaux Company, Ltd., shall each be entitled to charge against any sum or sums to be severally paid by them (to cover inland freight to refining points when paid by such Refiners) the sum of three and one-half ( $3\frac{1}{2}$ ) cents per one hundred pounds of sugar purchased by them from the Sugar Equalization Board aforesaid. These charges, however, may be cancelled or changed

from time to time at the option of the Equalization Board.

## XI

Each of the undersigned Refiners agrees that it will sell all sugar refined by it at a price not more than one dollar fifty-four cents (\$1.54) net per hundred (100) pounds wholesale of refined sugar on the basis of Fine Granulated sugar in barrels or in 100 pound bags (when used as the standard basis) f. o. b. refinery above the price for 96° centrifugal sugar paid to the Equalization Board provided for in this Agreement, with such differentials as are now shown on its official price list, same being subject to change from time to time on consent and approval of the Equalization Board. Said net margin shall be exclusive of the 2% cash discount, payment in ten days to the trade. This margin is determined on a delivered duty paid price of from 7.10¢ to 7.35¢ per pound for 96° test raw sugar, and in case the price provided for in this Agreement goes below 7.10¢ per pound the margin aforesaid shall be decreased in such a manner as to return substantially the same profit to the Refiner. In case the basic price goes above 7.35¢ per pound, said margin shall be increased to accomplish the same purpose. It is mutually agreed between the parties hereto that said margin shall be promptly revised by the parties hereto from time to time in case of changes in cost of refining and of wholesale distribution, or in the event of an excise or similar tax.

It is further understood that the margin upon any sugar purchased under the Hawaiian Contracts above referred to may be increased by the amount of the differential under which such sugar is purchased.

## XII

It is further understood that inasmuch as this Agreement has been entered into at the request of the Food



Administration and the Equalization Board for the purposes above recited, in view of the limitation on the price to be secured by the Refiner for its refined product, it is mutually agreed between the Equalization Board and the Refiners that in case of an advance or decline in the price of sugar from 7.28¢ per pound for 96 degree test, raw basis, due to any action of the Equalization Board, the Equalization Board will pay to each of the Refiners in the event of a decline in price, and each of the Refiners will pay to the Equalization Board in the event of a raise in price, a sum equivalent to the change in price multiplied by the number of pounds of raw or refined sugar (raw basis) <sup>1</sup> which each of the Refiners may have purchased hereunder, and which is undelivered or on hand or in transit on the date when such change takes place.

### XIII

Each Refiner signatory hereto agrees to conduct his or its export business under the direction of the Equalization Board, and to export or distribute to the domestic trade such proportion of its refined sugar as the Equalization Board may direct, upon prices and terms which will yield the Refiner the same margin as is specified in Paragraph XI, and in the event of sales for export at a higher price, the excess over the Refiners' margin is to be for the account of the Equalization Board.

The Equalization Board furthermore agrees in conducting its export business that it will endeavor where conditions permit to provide (in case the Refiners desire) additional quantities of dutiable raw sugar, after giving due consideration to the requests and requirements of other nations, or buyers.

<sup>1</sup> Refined sugar shall be reduced to raw basis by adding seven (7) per cent. to its weight.

## XIV

So long as raw sugars are available for Refiners' requirements, the said Food Administrator and the said Equalization Board will not restrict the sale and distribution of Refined Sugar made from raw sugar purchased under this Agreement. The Food Administrator or the Equalization Board shall have the right to supervise the domestic distribution of sugar during the life of this contract. No restrictions shall be placed upon domestic consumption until after the Refiners have been consulted.

## XV

In the event that any Refiner named in "Exhibit B" does not enter into this Agreement its pro rata proportion of sugar shall be allotted to the Refiners signatory hereto, if they desire, in the proportions and at the price and upon the terms and conditions herein provided as to the sugar purchased hereunder.

## XVI

From October 1, 1919, to December 31, 1919, if requested so to do by the Equalization Board, the Refiners agree to refine any raw sugar the Equalization Board may have purchased and not sold to the Refiners at the Refiners' margin then in effect to be ascertained as provided in Paragraph XI, less three (3) cents per 100 pounds. The Refiners agree to offer said sugar for sale and distribution, if requested so to do, at such price and on such terms as said Equalization Board may direct, for a commission of three (3) cents per 100 pounds.

## XVII

Should any unforeseen circumstances such as war, rebellion, insurrection, political disturbances, strikes, lack of fuel, marine loss, fire, explosion, riots or civil

disturbances, embargoes, prohibitions, or other causes, either in the United States, Cuba or elsewhere, prevent the Equalization Board from making delivery of the sugar according to the terms hereof, it shall so advise the Refiners' Committee immediately and be released from delivery of such portion of the sugar as cannot be delivered, but the Equalization Board agrees to use due diligence to carry out this Agreement in its entirety, notwithstanding the circumstances mentioned.

### XVIII

All matters of disagreement arising under this Agreement between the Equalization Board and any other party hereto which cannot be adjusted by them to their mutual satisfaction, shall be left to arbitration in Washington. The Equalization Board and the American Refiners' Committee shall each select one arbitrator and the two so selected shall select a third, and the decision of any two of said arbitrators shall be final and conclusive upon the parties thereto. In case the disagreement is between only one Refiner and the Equalization Board, the arbitrator provided to be appointed by the American Refiners' Committee shall be appointed by such one Refiner. Any expense attached to such arbitration shall be divided equally among the parties to the arbitration.

### XIX

It is agreed by all parties hereto that said Equalization Board may earn a profit on any sugar it may purchase and resell to said Refiners or on any sugar it may purchase from said Refiners and resell for Export.

### XX

It is further understood that the individual members of the said American Refiners' Committee are acting

herein as volunteers, in a purely administrative capacity, and accordingly the parties hereto agree that said members of the said Committee shall not incur any personal liability, individually or collectively, under the terms of this contract, nor be responsible for any damage of whatever kind connected with any matter or thing relating to this contract; nor shall they be responsible or liable for any act, fault or misconduct of any agents or persons employed by them and the parties hereto hereby further release and discharge the said individual members of the said Committee from any and all claims of whatever kind for personal liability or responsibility as aforesaid.

## XXI

The Refiners severally agree to pay their pro rata share on the basis of sugar purchased of any expenses incurred by the American Refiners' Committee in carrying out this Agreement.

## XXII

This Agreement shall remain in full force and effect up to and including December 31, 1919, and shall cover all sugar shipped or in transit prior to that date.

IN WITNESS WHEREOF, the parties hereto have subscribed this Agreement as of the day and year first above written.

### BASIS OF PROPORTIONATE DISTRIBUTION AS FIXED ON NOVEMBER 4, 1918, AT A MEETING OF THE AMERICAN REFINERS' COMMITTEE OF THE UNITED STATES FOOD ADMINISTRATION

|  |        |          |
|--|--------|----------|
| American Sugar Refining Company . . . . .              | 38.001 | per cent |
| Arbuckle Brothers . . . . .                            | 6.613  | " "      |
| California & Hawaiian Sugar Refining Company . . . . . | 6.945  | " "      |
| Colonial Sugars Company . . . . .                      | 2.185  | " "      |
| Federal Sugar Refining Company . . . . .               | 8.645  | " "      |
| William Henderson . . . . .                            | 1.220  | " "      |

|  |                |
|--|----------------|
| Imperial Sugar Refining Company . . . . .          | 1.122 per cent |
| The W. J. McCahan Sugar Refining Company . . . . . | 2.489 " "      |
| National Sugar Refining Company . . . . .          | 11.940 " "     |
| Pennsylvania Sugar Company . . . . .               | 4.537 " "      |
| Revere Sugar Refining Company . . . . .            | 2.985 " "      |
| Savannah Sugar Refining Corporation . . . . .      | 2.149 " "      |
| Warner Sugar Refining Company . . . . .            | 6.187 " "      |
| Western Sugar Refining Company . . . . .           | 3.549 " "      |
| The Leon Godchaux Company, Limited . . . . .       | 1.433 " "      |

## EXHIBIT 9

AGREEMENT WITH THE UNITED STATES FOOD  
ADMINISTRATOR AS TO SALE AND DISTRIBUTION  
OF BEET SUGAR CROP 1918-1919

THIS AGREEMENT, entered into this 18th day of September, 1918, between Herbert Hoover, United States Food Administrator, acting for and in behalf of the President of the United States, and.....  
....., of .....  
State of....., hereinafter called the Producer,

## WITNESSETH, THAT:

WHEREAS, The United States Food Administrator, pursuant to an Act of Congress, approved August 10, 1917, known as the "Food Control Act," has issued, and from time to time continues to issue rules and regulations relating to the conduct of the business of all persons importing, manufacturing, storing or distributing sugar; and

WHEREAS, The said Food Administrator is desirous of securing an equitable, fair and economic distribution of available sugars among the various consuming communities; of minimizing the burdens upon the transportation facilities required for such distribution; and of preventing unjust, unreasonable, unfair and wasteful commissions, profits and practices; and



WHEREAS, The United States Food Administrator has urgently requested all producers of beet sugar in the United States to enter into an agreement with him, in order to accomplish the purposes contemplated by said Act;

NOW, THEREFORE, In consideration of the premises and agreements of the United States Food Administrator hereafter set forth, the undersigned producer hereby agrees:

1. That in selling and distributing beet sugar produced from the crop of 1918-19, it shall observe, respect and be governed by any and all regulations which said United States Food Administrator, either directly or through his duly appointed Food Administration Sugar Distributing Committee, may from time to time prescribe under the provisions of said Act.

2. That it will ship sugar at such times, to such places, and in such quantities as may be directed by the United States Food Administrator, through the said Sugar Distributing Committee; that it will route all sugars as directed by that Committee; that it will promptly comply with any and all directions for change of destination and route, or for reconsignment; and that it will ship all sugar sight draft attached to bill of lading, unless, at its request, it is otherwise permitted by the Sugar Distributing Committee. In case such request is made and such permission given, the loss, if any, shall be borne by the requesting producer. Provided that nothing in this agreement shall authorize the United States Food Administrator to direct distribution to a particular individual, firm or corporation.

3. That it will sell all sugar at not to exceed the basic market price for fine granulated cane sugar in 100 pound bags or barrels at seaboard refining points, as established by the United States Food Administration, plus such prepaid basing freight rates as may be ruling at point of destination on day of sale, or on such other

day as shall be directed by the United States Food Administration, less the differential, if any, between cane and beet sugar which may then be in force at point of destination, the said Committee being authorized to establish or revoke a differential whenever it may be deemed advisable. Provided that no differential shall be established at any point unless it is established at all other points within the same zone. For the purpose of this agreement the United States shall be divided into such zones as may be approved by the United States Food Administrator; provided, that unless otherwise permitted by the United States Food Administrator, such price shall not exceed the maximum basic price of Nine Dollars per hundred pounds at seaboard refining points.

4. That it will not tender for regular trade distribution at ruling market prices any "off sugar," or any sugar which is inferior to standard granulated sugar. That should the producer have inferior sugar in its possession, it shall notify the Sugar Distributing Committee of such fact. After the Committee is satisfied that the sugar reported is actually "off sugar," said Committee, or the producer itself under the Committee's instructions, may dispose of such product at a discount from the ruling market price, the resulting loss to be borne exclusively by the producer.

5. That it will promptly make complete and true reports to the Sugar Distributing Committee of all sales made by it at such intervals and in such forms as may be required by said Committee.

6. That it will promptly remit to the Sugar Distributing Committee its proportionate amount (based upon production), of all expenses actually paid, incurred, or estimated to be incurred by said Committee in making the distribution herein provided for.

7. That on the 31st day of December, 1918, and every three months thereafter, the said Food Adminis-

tration Sugar Distributing Committee will calculate the average net proceeds per pound of sugar then sold and invoiced by all producers who have entered into agreements with the United States Food Administration similar to this agreement, and cause copies of the results of such calculation to be mailed to each of such producers. The difference between such average and the actual amounts paid to the respective producers shall be temporarily adjusted by requiring producers whose actual price is in excess of such calculated average, to pay such excess to the United States Food Administrator, or to a representative appointed by him who will distribute such excess proportionately to those producers whose actual price is less than the calculated average.

8. That prior to March 31st, 1919, the undersigned, together with all other beet sugar producers who have entered into agreements as aforesaid, will select an Adjustment Committee of five persons. All producers operating east of the Missouri River shall constitute and be deemed to be a separate group; and all producers operating west of the Missouri River shall constitute and be deemed to be a separate group. Each of these separate groups shall select two members of said Adjustment Committee, and such four members shall select the remaining fifth member of said Committee. Said Adjustment Committee shall thereupon determine the amount of allowance, if any, per hundred pounds, which shall be paid by one group to the other group, in order to correct any injustice resulting from distribution under this agreement. The Adjustment Committee shall report their determination to the Food Administration Sugar Distributing Committee, and thereupon said Distributing Committee shall adjust its calculations in conformity with such determination and all exchange payments between the United States Food Administrator or his representative and

the undersigned shall be made in accordance therewith.

9. That at the close of the 1918-1919 selling campaign, but not later than August 31st, 1919, the said Sugar Distributing Committee shall prepare a final settlement statement, showing the actual price per pound of sugar received by each producer, the average net proceeds per pound of sugar resulting from the sale of all sugars constituting the crop of 1918-1919, the allowance between groups as determined by the Adjustment Committee, and the amount that each producer should receive for his sugar, based upon such average price, and as modified by the Adjustment Committee; provided that all unsold sugars on hand on August 31, 1919, shall be inventoried in such manner and at such price as the Food Administration Sugar Distributing Committee may direct.

In consideration of the foregoing agreements, the United States Food Administrator agrees:

10. That the President of the United States, acting by and through the said Food Administrator, has appointed a committee of the United States Food Administration, to be known as the Food Administration Sugar Distributing Committee, to carry out, subject to his approval, the provisions of said Act of Congress so far as they relate to the distribution of beet sugar, which Committee is composed of the following persons, to-wit:

W. L. PETRIKIN, *Chairman*,  
W. H. HANNAM,  
S. H. LOVE,  
E. C. HOWE,  
S. W. SINSHEIMER,  
H. A. DOUGLAS,  
W. P. TURNER.

11. That he will cause said Sugar Distributing Committee to direct the distribution of the beet sugar crop



herein referred to in the most economical and efficient method consistent with an equitable distribution of sugar where needed throughout the United States.

12. That the said Committee shall establish package differentials for package goods not in excess of differentials for similar package goods established for the Cane Refiners of the United States; shall from time to time issue and mail to each producer schedules of prepaid basing rates at the different shipping points, to be based on freight rates from seaboard refining points; and shall issue and mail to each producer uniform price lists, showing seaboard base price, and the terms upon which sugar may be sold, including the differential, if any, between cane and beet sugar. No sale of sugar shall be made by any producer except at the price, differential and terms stated in the last price list issued. Whenever a change occurs in price, terms or differential, the said Committee shall issue a new price list, which shall not become effective until after a copy thereof has been mailed to and approved by the United States Food Administrator.

13. Nothing in this contract shall require the United States Food Administrator or his representative to make any payments except out of funds paid to him under this contract or similar uniform contracts with other producers.

14. Sugar shall be delivered to the United States Government for Army and Navy uses and for Red Cross, Y.M.C.A., Belgian Relief, Salvation Army and kindred organizations when and in such amounts as the Government may specify, at prices to be fixed by the United States Food Administrator, and the net proceeds of such sugar shall be included in calculating the general average net proceeds per pound of all sugar sold by producers entering into this agreement.

15. The output of any beet sugar producer whose output is commandeered by the Government of the



United States or the Food Administration for public purposes, shall not so far as it is reasonably possible to prevent the same, be permitted to be handled, sold or distributed in any manner which will detrimentally affect the markets of the producer, or the net proceeds resulting from the sale and distribution of sugar as provided in this agreement.

16. It is understood and agreed by the producer that a violation of any of the terms of this agreement may result in and be cause for revocation of its license.

17. This agreement shall remain in full force and effect from the date hereof until the final disposition of the crop of 1918-1919.

IN WITNESS WHEREOF, the parties hereunto have signed this agreement the day and year first above written.

SUPPLEMENTARY AGREEMENT WITH THE UNITED  
STATES FOOD ADMINISTRATOR AS TO BEET  
SUGAR CROP 1918-1919

THIS AGREEMENT, entered into this 18th day of September, 1918, between Herbert Hoover, United States Food Administrator, acting for and in behalf of the President of the United States, and the .....  
Sugar Company of.....,  
State of ....., hereinafter called  
the Producer,

WITNESSETH, THAT:

WHEREAS, the parties to this contract have entered into a uniform agreement of even date herewith in regard to the distribution of beet sugar produced from the crop of 1918-1919; and

WHEREAS, the Producer together with other eastern producers is in a special situation as regards distribution;

NOW, THEREFORE, In consideration of the premises and of said agreement of even date herewith, it is hereby mutually agreed:

1. That when the adjustment referred to in Paragraph 8 of the principal agreement of even date herewith has been made, but in any event prior to March 31, 1919, all producers located east of the Missouri river and entering into a supplementary agreement similar to this, shall select an "Eastern Adjustment Committee" of three persons. Said committee shall consider the location of the various factories among such producers constituting the eastern group, and shall determine whether the same net price per hundred pounds among all the members of said group is in all respects just and equitable.

2. If the committee shall find that such a net price is not just and equitable, it shall then cause proper and equitable deductions or additions to be made from or to the various amounts due and payable to such eastern producers as adjusted and reported by the Food Administration Sugar Distributing Committee.

3. The Adjustment Committee shall report their determination to the Food Administration Sugar Distributing Committee, which shall adjust its calculations in conformity with such determination, and all exchange payments between the United States Food Administrator or his representative and the undersigned shall be made in accordance therewith.

IN WITNESS WHEREOF: the parties hereto have signed this supplementary agreement the day and year first above written.

## EXHIBIT 10

AGREEMENT WITH UNITED STATES FOOD ADMINISTRATION AS TO LOUISIANA SUGARS,  
1918-1919 CROP

THIS AGREEMENT, entered into this . . . . . day of . . . . . , 1918, between Herbert Hoover,

United States Food Administrator, acting in this behalf  
for the President of the United States, and.....  
..... of .....  
....., hereinafter called the producer,

WITNESSETH, THAT

WHEREAS, the United States Food Administrator, pursuant to the Act of Congress approved August 10, 1917, known as the "Food Control Act," has issued regulations for the conduct of the business of all persons importing, manufacturing, storing or distributing sugar, and desires under said Act to secure an equitable distribution of the cane sugar crop of the season of 1918-1919 and to prevent unjust, unreasonable, unfair and wasteful commissions, profits, and practices, and

WHEREAS, the United States Food Administrator has requested all producers of cane sugar in the State of Louisiana to enter into an agreement with him covering the sale and distribution of all cane sugar produced in the State of Louisiana and manufactured for direct consumption, and

WHEREAS, the United States Food Administrator has appointed a committee of the United States Food Administration to be called the Louisiana Sugar Committee, and, subject to his approval, to superintend the distribution of Louisiana sugar and carry out the provisions of this contract. A majority of said Committee shall constitute a quorum and the assent of four members of said Committee at a meeting duly called shall be considered the action of the Committee. The Committee shall be composed of the following persons, and in the event of vacancies occurring the United States Food Administrator shall appoint successors to all such vacancies:

R. E. MILLING, *Chairman*,  
C. D. KEMPER,  
E. J. GAY,  
J. C. LEBOURGEOIS,

W. J. BARKLEY,  
E. A. PHARR,  
E. A. BURGUIERES.

WHEREAS, the undersigned.....

.....is a producer of cane sugar and is desirous of aiding and promoting the efficient administration of said Act and of securing the purpose contemplated by said Act by agreement as authorized by Section 2 of the aforesaid Act of Congress;

NOW, THEREFORE, in consideration of the premises and the agreements of the United States Food Administrator hereafter set forth, the producer hereby agrees:

(1) That in selling and distributing Louisiana cane sugar he will observe and respect and be governed by any and all orders and regulations which said United States Food Administrator, through the said Sugar Committee may from time to time make or prescribe, or any general or special regulations issued under the provisions of said Act.

(2) That the "basic price" of fine granulated sugar at any time for the purposes of this contract shall be that price which is then determined by the United States Food Administrator under the provisions of his uniform contracts with the sugar refiners of the United States dated October 1, 1917, as the maximum price which may be charged by such refiners for fine granulated in barrels or one hundred pound bags f. o. b. seaboard points with the customary discounts, terms and conditions, which contract is on file with the United States Food Administrator and made part hereof by reference; and the basic price of Louisiana sugars shall be such basic price less the following differentials:

|                                     |                 |
|-------------------------------------|-----------------|
| Plantation granulated . . . . .     | No differential |
| White clarified . . . . .           | 01c per cwt.    |
| Off plantation granulated . . . . . | 10c " "         |
| Off white . . . . .                 | 15c " "         |

|  |              |
|--|--------------|
| Choice yellow clarified . . . . .        | 15c per cwt. |
| Prime yellow clarified . . . . .         | 20c " "      |
| Kettle . . . . .                         | 20c " "      |
| Off yellow clarified . . . . .           | 30c " "      |
| Seconds and thirds (1st group) . . . . . | 80c " "      |
| "    "    "    (2nd group) . . . . .     | 90c " "      |
| "    "    "    (3rd group) . . . . .     | 1.00 " "     |
| "    "    "    (4th group) . . . . .     | 1.10 " "     |
| "    "    "    (5th group) . . . . .     | 1.20 " "     |

The differential on all grades of semi-refined direct consumption sugars not listed above shall be the differential indicated for sugars of equal grade, or if of an intermediate grade at the differential of the listed grade next below; and the differential on sugars, the grade and price of which cannot be thus determined, shall be fixed by the said Sugar Committee.

The above grades shall be determined with reference to the standard samples thereof as fixed by the New Orleans Sugar and Rice Exchange with the approval of the United States Food Administration and now on file with said Exchange. In case of dispute regarding the grade the final decision shall be made by the Louisiana Sugar Committee.

(3) That unless the aforesaid Louisiana Sugar Committee permits the sale at a lower price by reason of deterioration, or sets a lower price for any or all grades under the provisions of Section 4 hereof, the producer will sell direct consumption sugars manufactured by him at not more than such price as is found to be just and fair by the United States Food Administrator, hereafter called the "maximum price." The said United States Food Administrator agrees that he will not name a price less than the basic price mentioned in Section 2 hereof for sugar in barrels or one hundred pound bags f. o. b. New Orleans or point of origin carrying the same freight rate as New Orleans; provided, however, that if domestic beet sugar is generally selling at a higher price than the basic price of fine cane granu-



lated sugar, the United States Food Administrator will not name a price less than the price of domestic beet sugar less the differentials named in paragraph 2, provided that if there is a sale to the United States or any of its agencies such price shall not necessarily govern.

That he will sell raw sugar at a price delivered at customary Louisiana refining points not greater than the price which may be found to be just and fair by the United States Food Administrator and not less than the price of duty paid 96 degree Cuban raw sugar delivered at such refining points.

That he will sell washed sugar (which is defined as any first sugar above the grade of raw sugar, and below the grade of off yellow clarified, and having a color test of not less than 22 Dutch Standard) at a price 40 cents above the price of raw sugar as determined by the foregoing paragraph and paragraph 4, with an addition of  $1/16$  of a cent per pound for each degree or fraction thereof above 96 degrees and a deduction of  $1/10$  of a cent per pound for each degree or fraction thereof below 96 degrees.

(4) The producer further agrees that the said Sugar Committee with the approval of the United States Food Administrator may name a price for any grade or grades of Louisiana sugar from time to time at any figure not greater than the price for such grade or grades which may be fixed as the "maximum price" therefor by the United States Food Administration under paragraph 3 hereof, and that after the prices thus fixed are posted at the New Orleans Sugar and Rice Exchange he will sell the sugar at the price named until changed under the provisions of this contract.

(5) In the event that the producer is required by the United States Food Administrator directly or through said Committee to ship sugar to a point carrying a freight rate higher from point of origin to point of destination

than that from New Orleans to point of destination the producer may add to the price prescribed under paragraphs 3 and 4 hereof the extra freight, provided that the selling price to the retailer shall not be greater than the maximum authorized selling price of similar sugars at such point to retailers.

(6) *a.* The producer further agrees that he will ship sugar at such time, to such places, and in such quantities as may be directed by the United States Food Administrator through the said Sugar Committee, that he will route all sugars as directed by said Committee, and that he will promptly comply with all orders for change of destination and route and for reconsignment.

Provided that if no instructions or directions are given by the said Food Administrator or the Sugar Committee he may continue to distribute his sugar in the customary manner heretofore existing for the distribution of such sugars, subject to the price provisions of this contract.

Provided, further, that nothing in this contract shall require the producer to ship or dispose of his sugar when prices lower than the "maximum price" named under paragraph 3, less the differentials stated in paragraph 2, are named by the Sugar Committee under paragraph 4.

*b.* The producer, unless notified to the contrary, will keep the Committee constantly informed of the quantity and grade of sugar that is being produced daily and the disposition of the same.

(7) In consideration of the foregoing agreement, the United States Food Administrator agrees:

*a.* That he will cause the said Sugar Committee to direct the disposition of direct consumption sugars in the most economical and efficient method consistent with equitable distribution and the needs of the country.

*b.* That he will use his best efforts to secure preference in the distribution and sale to local refiners of

Louisiana raw sugars manufactured by the producer herein, if the producer is desirous of selling to such refiners.

c. That he will use his best efforts with the proper authorities to secure an adequate supply of railroad cars for the distribution of all Louisiana sugars, covered by this contract.

(8) Sugar shall be delivered to the United States Government for Army and Navy uses when and in such amount as the Government may require at prices to be fixed by the United States Food Administrator.

(9) It is understood and agreed by the producer that a wilful violation of any of the terms of this agreement may result in and be cause for revocation of his license.

(10) This agreement shall remain in full force and effect from October 1, 1918, and until the final disposition of the crop of the season 1918-1919, and for each succeeding year thereafter until the existing state of war between the United States Government and Germany shall have terminated and the fact of such termination shall have been proclaimed by the President of the United States; provided that either party hereto may withdraw from the contract after the disposition of the crop of 1918-1919, by giving a thirty days' written notice to that effect before October 1, 1919; or may withdraw for any subsequent crop year by giving such notice on or before October 1, of that year.

(11) The word "he" wherever used in this contract to indicate the producer, shall refer to such producer whether an individual, partnership or corporation as the case may be.

IN WITNESS WHEREOF, the parties hereto have subscribed this agreement on the day and year first above written.

## EXHIBIT 11

ASSIGNMENT TO THE ROYAL COMMISSION ON THE SUGAR SUPPLY BY THE UNITED STATES SUGAR EQUALIZATION BOARD, INC., OF ITS RIGHTS TO ONE-THIRD OF THE SUGAR PURCHASED UNDER AGREEMENT AS TO CUBAN SUGARS CROP 1918-1919, DATED OCTOBER TWENTY-FOURTH, 1918.

WHEREAS, on the 24th day of October, 1918, the United States Sugar Equalization Board, Incorporated, entered into an agreement as party of the first part with Carlos Manuel de Cespedes, Robert B. Hawley, Manuel Rionda, a Cuban Commission, parties of the second part, and agents of various Cuban producers acting severally for the producers of sugar in the Island of Cuba, parties of the third part, under and by the terms of which the seller therein described agreed "on behalf of himself and his principals" to sell and deliver to the buyer (United States Sugar Equalization Board) all the raw sugar produced "by him or his principals in the Island of Cuba during the crop season of 1918-1919" except that actually used for local consumption in Cuba; and

WHEREAS, by the third paragraph of said agreement right and power was given to the United States Equalization Board to assign said contract without recourse in respect to any part of the sugar contracted for therein as follows:

"The Buyer shall have the right from time to time to assign this contract, without recourse, in respect to any part of the sugar contracted for herein, to the Governments of the United Kingdom, Canada, France or Italy, or to any duly constituted agency representing all or either of said governments, or to any sugar refiner of the United States. The Buyer, upon making any such assignment, shall give notice thereof to the Seller."

and

WHEREAS, the United States Sugar Equalization Board, Incorporated, has this day agreed to transfer



to The Royal Commission on the Sugar Supply, an agency duly authorized to act and now acting in making this purchase on behalf of the Governments of Great Britain (not including Canada), France and Italy, without recourse, the rights of the United States Sugar Equalization Board, Incorporated, to one-third of all of the raw sugar purchased by the said United States Sugar Equalization Board, Incorporated, under the agreement aforesaid of October 24, 1918.

NOW, THEREFORE, by this agreement, the United States Sugar Equalization Board, Incorporated, does hereby assign to The Royal Commission on the Sugar Supply, without recourse upon the said the United States Sugar Equalization Board, Incorporated, its rights to and to have delivered to it one-third of all of the raw sugars purchased by the said United States Sugar Equalization Board, Incorporated (together with any commission upon such one-third of all the raw sugars purchased by the United States Sugar Equalization Board, Incorporated, under said Agreement of October 24, 1918, to which the United States Sugar Equalization Board, Incorporated, would be entitled under said agreement) under the agreement of October 24, 1918, aforesaid, at the respective prices for delivery f. o. b. Northside and Southside Cuban ports, and upon the terms therein stated.

A condition of this assignment is the right of the Royal Commission on the Sugar Supply at its option to take 321,000 tons, or any part thereof, of the one-third of the Cuban crop hereby assigned for shipment to the United States for refining purposes on the cost and freight terms of Paragraph 2, Section 2, of Page 3 of the Cuban Contract dated October 24, 1918.

And the said The Royal Commission on the Sugar Supply as to such one-third of the raw sugars from Cuba as aforesaid does hereby accept said assignment and agree to and does hereby assume as to said one-third of the



sugars aforesaid all of the payments, duties and obligations of the said United States Sugar Equalization Board, Incorporated, under the agreement of October 24, 1918, aforesaid.

Said agreement of October 24, 1918, is made a part hereof.

WITNESS the signature of the United States Sugar Equalization Board, Incorporated, by George M. Rolph, its President, and the seal thereof hereto affixed duly attached by H. H. Bundy, its Secretary, and witness the signature of The Royal Commission on the Sugar Supply of the United Kingdom of Great Britain by J. Ramsey Drake, this. . . . . day of December, 1918.

## EXHIBIT 12

OPTION GIVEN TO ROYAL COMMISSION ON THE  
SUGAR SUPPLY BY REFINERS OF THE UNITED  
STATES FOR THE REFINING OF 321,000 TONS  
CUBAN RAW SUGAR

November 22nd, 1918

The Royal Commission on the Sugar Supply,  
London,  
England.

Gentlemen:

We are advised by Mr. George M. Rolph, the Head of the Sugar Division of the United States Food Administration and President of the United States Sugar Equalization Board, Inc., that you have made arrangements with the latter Company for the assignment by it to you of a portion of the Cuban Sugar Crop for 1918-19 and that such arrangements are made with the approval of the Food Administration. We also understand that with the approval of the Food Administration and with a view to securing a supply of refined sugar for distribution to the United Kingdom, France and Italy

you are considering the advisability of having a part of your purchase refined in the United States.

At the present writing, we are negotiating with the United States Sugar Equalization Board looking toward the purchase of our requirements of raw sugar for the period up to December 31, 1919, and the sale of the same at an agreed margin.

Accordingly, therefore, in consideration of the margin to be paid to us as hereinafter set forth we, Sugar Refiners of the United States, at the request of the United States Sugar Equalization Board, Incorporated, severally agree to give and do hereby give to your Commission the option of having refined in our refining plants during the year 1919 up to 321,000 tons of Cuban Raw Sugar of the Crop of 1918-19 to produce an equivalent quantity up to 300,000 tons of refined sugar, upon the following terms and conditions:

*Quantity and Option:* — 300,000 tons of refined granulated sugar at the rate of 27,275 tons monthly beginning February 1st, 1919, and if option for any month is not exercised, the total quantity is automatically reduced by the amount so not taken in any month.

*Declaration of Option:* — By Sixty Days' written or cable notice to the American Refiners' Committee previous to first day of month in which refined is to be delivered except for deliveries during February, 1919, for which the declaration of the option must be made before January 1st, 1919.

*Delivery of Raws:* — That to the extent that the Royal Commission on the Sugar Supply exercises its option to take American refined sugar, an equivalent quantity of Cuban raws shall be transferred by the Royal Commission on the Sugar Supply to the American Refiners through the American Refiners' Committee on the basis of Paragraph 2, Section 2, of Page 3 of the Cuban Contract dated October 24, 1918.

*Selling Price of Refined:* — The price of refined sugar

delivered in customary packages, will be the c. & f. price of the raw sugar delivered at refinery, plus insurance, duty and the refiners' margin in effect for domestic business as approved by the United States Sugar Equalization Board, Inc., at the date of shipment, less a drawback allowance of 1¢ per pound, said drawback allowance and price subject to any change in United States Custom Laws or in the event of an export, or excise tax or any government action which would alter the refiners' margin herein agreed upon, as more particularly stated in printed form of Refined Sugar Export Contract attached.

*Tonnage:* — Tonnage to load refined shall be furnished promptly by you and within the period for delivery of refined referred to in any notice of your availing yourselves of any part of the option herein given. If tonnage is not so provided you shall compensate us for interest, insurance and storage, or at our option we shall have the privilege of sending the sugar to store for account, expense and risk of the Royal Commission on the Sugar Supply.

Shipment to be made subject to terms of refined sugar export contract, a copy of which is hereto annexed and marked Schedule A.

*Releases from Responsibility:* — Both your Commission and ourselves shall be relieved from any liability hereunder if prevented from carrying out our obligations, by Acts of God or from causes beyond our control.

*Ports of Shipment:* — You shall take the refined sugar at any of the following ports as may be directed by us:

Boston, New York, Philadelphia,  
Savannah, New Orleans.

We hereby severally accept and agree to be bound by the foregoing option for our pro rata portion of said option as set forth in the percentage named. If the percentages named do not total 100% we agree that the percentages for the refiners signing this option shall be

raised pro rata to make this option good for 100% delivery.

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| THE AMERICAN SUGAR REFINING<br>COMPANY | 38.001 |
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By.....

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| THE NATIONAL SUGAR REFINING CO.<br>OF NEW JERSEY | 11.94 |
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By.....

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| ARBUCKLE BROTHERS | 6.613 |
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By.....

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| WARNER SUGAR REFINING COMPANY | 6.187 |
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By.....

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| COLONIAL SUGARS COMPANY | 2.185 |
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By.....

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| FEDERAL SUGAR REFINING COMPANY | 8.645 |
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By.....

|               |       |
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| WM. HENDERSON | 1.220 |
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By.....

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| THE W. J. McCAHAN SUGAR REFIN-<br>ING COMPANY | 2.489 |
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By.....

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| PENNSYLVANIA SUGAR COMPANY | 4.537 |
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By.....

|                       |       |
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| REVERE SUGAR REFINERY | 2.985 |
|-----------------------|-------|

By.....





always safely load afloat. Expense of moving to be for account of vessel. Time lost in moving to be for account of sellers, provided steamer is moved promptly after loading is completed at the first berth. In case demurrage is incurred, the time lost in moving shall be for account of each seller in the proportion that his part of the cargo bears to the whole. If, through the disability of the wharf designated by the Refinery, it is impossible to safely berth steamer, then the Refinery must deliver the cargo to a loading berth appointed by steamer, within lighterage limits of the loading port, in which case all lightering expense to be for Refinery account.

If the Refinery is able to load steamer, subject to foregoing provisions, but the steamer elects for its own convenience not to go to the wharf designated by the Refinery, but to load at its own pier, then the lighterage expenses at cost shall be for buyer's account.

THE ROYAL COMMISSION ON THE SUGAR SUPPLY agrees to give the seller at least seven (7) days' notice of approximate date of arrival of vessel, whenever possible. In the event of not receiving notice the refinery shall not be held for damages, but will make all possible effort to furnish the sugars required.

DATE OF DELIVERY: Delivery on full cargo lots to be made at minimum rate of 1,000 tons of 2,240 pounds per weather working day, Sundays and holidays excepted. Any demurrage incurred to be charged for at forty-eight cents (48 c) per gross registered ton of steamer per day.

Steamer's lay-days to count from the time the steamer is in berth ready to load. Any time lost by steamer through berth being occupied on arrival thereat or through awaiting shippers' instructions after steamer reports within the customary working hours of the port ready for cargo, to be for seller's account.

PART CARGOES: Part cargoes, that is, lots of less than

2,500 tons delivered by one refinery, may be delivered to steamer at its own wharf or at the Refinery wharf where the steamer is receiving the minimum quantity of 2,500 tons, at the option of the refineries.

**DELIVERY BY LIGHTER:** The steamer to have three weather working days, Sundays and holidays excepted, free for discharge of lighters. Time to count from the time the lighter captain gives written notice to the clerk of the steamer of lighter's arrival alongside. As far as possible, the buyer is to give the seller at least seven days' notice of the approximate arrival of all vessels. In case of delay of vessels, demurrage on lighters, if incurred, shall begin five days from date on which buyer advises seller that vessel will receive cargo.

No demurrage will be charged by steamer in case the steamer has alongside sugar from one or more refineries sufficient to load 1,000 tons of 2,240 pounds per day.

Any lighterage expense resulting from steamer's failure to take delivery of full quantity ordered, to be for buyer's account.

The demurrage on lighters to be charged to buyers at cost, but claims must be presented in accordance with custom of the port.

In consideration of

passing the Custom House entry and carrying the drawback, the Royal Commission on the Sugar Supply hereby agrees to furnish Custom House bill of lading and landing certificate free of charge, these to be delivered promptly to the Custom House Department of

Any necessary consular certificates or expense for vising any documents to be for buyer's account.

If is unable to collect the drawback through any neglect on buyer's part to fulfill the foregoing agreement, buyer agrees to reimburse it promptly in full for the amount of said drawback.

This sale is based on present rate of duty, and present laws as to drawback. If seller is unable, by reason of legislation, to collect the full amount of duty paid on any of the sugar delivered under this contract by way of drawback, the buyer agrees to pay the seller, in addition to the contract price, an amount equal to such duty which seller is unable to collect.

All additional duties, excises or other taxes hereafter levied or assessed on the raw or refined sugar necessary to fill this contract to be at buyer's expense in addition to the price specified.

The seller will not be responsible for any delivery under this contract, if prevented or delayed by war conditions, strikes, labor difficulties, accidents, embargo, fire or any other cause beyond its control, or if seller's supply of raw material shall be interrupted by any such cause. In such case, the obligation to deliver under this contract is cancelled to such an extent as deliveries shall be prevented or interrupted thereby and no liability shall be imposed upon the seller for damages resulting therefrom.

The sale is made subject to the seller's ability to secure an export permit if such permit is required.

Brokerage of three (3) cents per one hundred pounds to be paid.

### EXHIBIT 13

LETTER CONFIRMING INCREASE FROM 321,000 TONS  
TO 535,000 TONS.

April 30, 1919

Royal Commission on the Sugar Supply  
London  
England

Gentlemen :

Referring to letter of February 27 from your Representative, Mr. J. R. Bruce, wherein you requested The

American Refiners' Committee to increase the tonnage of refined sugar under the Option of November 22, 1918, from 300,000 to 400,000 tons and to his letter of April 17, wherein you requested a further increase of the tonnage of refined sugar in the said Option Agreement to a total of 500,000 tons of refined sugar, we hereby confirm the increase in the quantity of refined sugar that may be called for from 300,000 to 500,000 tons, upon the terms and in accordance with the conditions of the said Contract of November 22, 1918.

And, we hereby severally accept and agree to be bound by the foregoing option for our pro rata portion of said option as set forth in the percentage set opposite our names. If the percentages named do not total 100% we agree that the percentages for the Refiners signing this Option shall be raised pro rata to make this Option good for 100% delivery.

|  |        |
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| THE AMERICAN SUGAR REFINING<br>COMPANY | 38.001 |
|--|--------|

By.....

|   |       |
|---|-------|
| THE NATIONAL SUGAR REFINING CO.,<br>OF NEW JERSEY | 11.94 |
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By.....

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| ARBUCKLE BROTHERS | 6.613 |
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By.....

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| WARNER SUGAR REFINING COMPANY | 6.187 |
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By.....

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| COLONIAL SUGARS COMPANY | 2.185 |
|-------------------------|-------|

By.....

FEDERAL SUGAR REFINING COMPANY 8.645

*By*.....

WM. HENDERSON

1.220

*By*.....THE W. J. McCAHAN SUGAR REFINING  
COMPANY

2.489

*By*.....

PENNSYLVANIA SUGAR COMPANY

4.537

*By*.....

REVERE SUGAR REFINERY

2.985

*By*.....SAVANNAH SUGAR REFINING CORPO-  
RATION

2.149

*By*.....

LEON GODCHAUX COMPANY

1.443

*By*.....*Approved:*UNITED STATES SUGAR EQUALIZATION BOARD  
INC.*By*.....





CERTIFICATE OF INCORPORATION, BY-  
LAWS AND PRESIDENT WILSON'S LETTER  
OF AUTHORIZATION TO INCORPORATE

EXHIBIT 14

CERTIFICATE OF INCORPORATION OF UNITED  
STATES SUGAR EQUALIZATION BOARD, INCOR-  
PORATED

*First.* The name of this corporation is UNITED  
STATES SUGAR EQUALIZATION BOARD, INCORPORATED.

*Second.* The location of its principal office in the  
State of Delaware is in the City of Wilmington, County

of New Castle. The name of the resident agent therein and in charge thereof is the Delaware Charter Company. The street and number of said principal office and the address by street and number of said resident agent is 900-904 Market Street.

*Third.* The objects and purposes for which and for any of which this corporation is formed are, to do any or all of the things herein set forth to the same extent as natural persons might or could do, viz.: To purchase, or otherwise acquire, manufacture, sell or otherwise dispose of, store, handle and otherwise deal in and with raw and refined cane and beet sugar, syrups, molasses and other commodities, and to do all acts and things necessary, expedient or incidental to the efficient conduct of said business, within or without the State of Delaware.

To exercise all powers which may be delegated to it by the President of the United States.

The foregoing clauses shall be construed both as objects and powers; and it is hereby expressly provided that the foregoing enumeration of specific powers shall not be held to limit or restrict in any manner the powers of this corporation.

In general, to have and to exercise all the powers conferred by the laws of Delaware upon corporations formed under the Act hereinafter referred to.

*Fourth.* The total authorized capital stock of this corporation is Five Million Dollars (\$5,000,000) divided into Fifty Thousand (50,000) shares of One Hundred Dollars (\$100) each.

The amount of capital stock with which this corporation will commence business is the sum of One Thousand Dollars (\$1,000), being ten (10) shares of One Hundred Dollars (\$100) each.

*Fifth.* The names and places of residence of each of the original subscribers to the capital stock and the number of shares subscribed for by each are as follows:

| NAME                    | RESIDENCE           | NUMBER OF SHARES |
|-------------------------|---------------------|------------------|
| George M. Rolph . .     | San Francisco, Cal. | 4                |
| Theodore F. Whitmarsh   | New York, N. Y.     | 3                |
| George A. Zabriskie . . | New York, N. Y.     | 3                |

*Sixth.* This corporation is not to have perpetual existence. Its existence is to commence on the Fifteenth day of July, 1918, and is to cease on the Fourteenth day of July, 1923, unless it is sooner dissolved in the manner provided by law.

*Seventh.* The property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

*Eighth.* The directors of this corporation shall hold office for one year from the date of their election and until their successors are elected and qualified unless sooner removed. The holder or holders of two-thirds of the outstanding capital stock may call a special meeting of stockholders at any time, upon mailing notice to the other stockholders of the time and place of said meeting, three days prior to said appointed time, which notice may be waived by unanimous consent, or by the presence of all stockholders at said special meeting; and the stockholders present may by a majority vote remove any director or directors from office and elect a successor or successors to hold office for the remainder of the unexpired term.

In furtherance, and not in limitation, of the powers conferred by statute, the board of directors are expressly authorized to make, alter, amend, and rescind the by-laws of this corporation, and to authorize and cause to be executed mortgages and liens upon the personal property of this corporation, and to authorize the borrowing of such sums of money from time to time, and the making and execution of such notes, mortgages, pledges and liens on the personal property of this corporation, as they may deem advisable.

This corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation.

WE, THE UNDERSIGNED, being each of the original subscribers to the capital stock hereinbefore named for the purpose of forming a corporation to do business both within and without the State of Delaware, and in pursuance of any Act of the Legislature of the State of Delaware entitled, "An Act Providing a General Corporation Law" (approved March 10th, 1899), and the acts amendatory thereof and supplemental thereto, do make and file this Certificate, hereby declaring and certifying that the facts herein stated are true, and do respectively agree to take the number of shares of stock hereinbefore set forth, and accordingly have hereunto set our hands and seals this ..... day of July, 1918.

..... (SEAL)  
In presence of

— ..... (SEAL)

— ..... (SEAL)

United States of America  
District of Columbia

BE IT REMEMBERED that this.....  
....., 1918, personally came before me a Notary Public for the District of Columbia, parties to the foregoing Certificate of Incorporation, known to me personally to be such, and severally acknowledge the said Certificate to be the act and deed of the signers respectively and that the facts therein stated are truly set forth.

Given under my hand and seal of office the day and year aforesaid.

(NOTARIAL)  
(SEAL)

Notary Public, D. C.



## EXHIBIT 15

UNITED STATES SUGAR EQUALIZATION BOARD,  
INCORPORATED*BY-LAWS*

## OFFICES

1. The principal office shall be in the City of Wilmington, County of New Castle, State of Delaware, and the name of the agent in charge thereof shall be the Delaware Charter Company.

The corporation may also have an office in the City of Washington, District of Columbia, and also offices at such other places as the board of directors may from time to time appoint or the business of the corporation may require.

## SEAL

2. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware."

## STOCKHOLDERS' MEETINGS

3. All meetings of the stockholders shall be held at the office of the corporation in the city of Washington, District of Columbia.

4. The annual meeting of stockholders, after the year 1918, shall be held on the first Monday of June in each year, at 11 o'clock A.M. The fiscal year of the corporation shall be coincident with the calendar year.

5. The holders of a majority of the stock issued and outstanding, present in person, or represented by proxy shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by law, by the certif-

icate of incorporation, or by these by-laws. If, however, such majority shall not be present or represented at any meeting of the stockholders, the stockholders present in person, or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of stock shall be present. At such adjourned meeting at which the requisite amount of stock shall be represented any business may be transacted which might have been transacted at the meeting as originally notified.

6. No share of stock shall be voted on at any election which has been transferred on the books of the corporation within twenty days next preceding such election. The vote for directors, and, upon the demand of any stockholder, the vote upon any question before the meeting, shall be by ballot. All elections shall be had and all questions decided by a plurality vote.

7. Written notice of the annual meeting shall be mailed to each stockholder at such address as appears on the stock book of the corporation, at least ten days prior to the meeting.

8. Special meetings of the stockholders may be called by the President, or by the holder or holders of two-thirds of the outstanding capital stock at any time upon mailing notice to the other stockholders of the time and place of said meeting three days prior to said appointed time, which notice may be waived by unanimous consent or by the presence of all stockholders at said special meeting. Any business may be transacted at said meeting.

## DIRECTORS

9. The property and business of the corporation shall be managed by its Board of Directors, seven (7) in number. They shall be elected by the stockholders at

the annual meeting of stockholders of the corporation, and each director shall be elected to service for the term of one year and until his successor shall be elected and shall qualify, unless sooner removed. The stockholders shall have the right to remove any director from office in the manner provided in the certificate of incorporation.

10. The directors may hold their meetings and have one or more offices, and keep the books of the corporation, except the original or duplicate stock ledger, outside of Delaware, at the office of the Corporation in the City of Washington, or at such other places as they may from time to time determine.

11. In addition to the powers and authorities by these by-laws and the certificate of incorporation expressly conferred upon them the board may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

#### MEETINGS OF THE BOARD

12. The newly elected board may meet at such place and time as shall be fixed by the vote of the stockholders at the annual meeting, for the purpose of organization and otherwise, and no notice of such meeting shall be necessary to the newly elected directors in order to, legally constitute the meeting: Provided a majority of the whole board shall be present; or such place and time may be fixed by the consent in writing of all the directors.

13. Regular meetings of the board may be held without notice at such time and place as shall from time to time be determined by the board.

14. At all meetings of the board a majority of the directors shall be necessary and sufficient to constitute a quorum for the transaction of business.

15. Special meetings of the board may be called by the President on two days' notice to each director, either personally or by mail or by telegram; special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of two directors.

16. Directors shall not receive any compensation for their services as directors or members of committees.

17. The officers of the corporation shall be a chairman of the board, a president, one or more vice-presidents, a secretary, a treasurer and a general counsel. Any two of the aforesaid offices, except those of president and vice-president, may be filled by the same person.

18. The board of directors, at its first meeting after each annual meeting of stockholders, shall elect by ballot a chairman of the board and a president from their own number, and the board shall also annually choose one vice-president, and as many second vice-presidents as it sees fit, a secretary, a treasurer, and a general counsel, who need not be members of the board.

19. The board may appoint such other officers and agents as it shall deem necessary, who shall have such authority and shall perform such duties as from time to time shall be prescribed by the board.

20. The officers of the corporation shall hold office for one year and until their successors are chosen and qualify in their stead. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the whole board of directors. No officer of the corporation should be entitled to any compensation for services rendered to the corporation unless such compensation shall have been fixed by resolution of the board of directors or of the executive committee.

## EXECUTIVE COMMITTEE

21. There may be an executive committee of three (3) directors appointed by the board, who may meet at stated times or on notice to all by any of their own number. The board may delegate to such committee authority to exercise any or all the powers of the board, excepting power to amend the by-laws, while the board is not in session. Vacancies in the membership of the committee shall be filled by the Board of Directors, at a regular meeting or at a special meeting called for that purpose.

22. The executive committee shall keep regular minutes of its proceedings and report the same to the board when required.

23. The officers of the company shall have such powers and duties as generally pertain to their offices respectively, as well as such powers and duties as shall from time to time be conferred upon them by the Board of Directors or the Executive Committee.

24. The treasurer shall give the corporation a bond in a sum to be fixed by the Board of Directors, and with one or more sureties satisfactory to the board, for the faithful performance of the duties of his office, and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

## VACANCIES

25. If the office of any director, or of the president, vice-president, secretary or treasurer or other officer or agent, one or more, becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, the directors then in office, although less than a quorum, by a majority vote, may choose a



successor or successors, who shall hold office for the unexpired term in respect of which such vacancy occurred, except as otherwise provided in the certificate of incorporation and these by-laws.

#### DUTIES OF OFFICERS MAY BE DELEGATED

26. In case of the absence of any officer of the corporation, or for any other reason that the board may deem sufficient, the board may delegate the powers or duties of such officer to any other officer, or to any director, for the time being, PROVIDED a majority of the entire board concur therein.

#### CERTIFICATE OF STOCK

27. The certificates of stock of the corporation shall be numbered and shall be entered in the books of the corporation as they are issued. They shall exhibit the holder's name, and the number of shares and shall be signed by the president or vice-president, and secretary or assistant secretary, treasurer, or assistant treasurer, and shall bear the corporate seal.

#### TRANSFERS OF STOCK

28. Transfers of stock shall be made on the books of the corporation only by the person named in the certificate or by attorney, lawfully constituted in writing, and upon the surrender of such certificate.

#### DIRECTORS' ANNUAL STATEMENT

29. The board of directors shall present at each annual meeting, and when called for by the stockholders, at any special meeting of the stockholders, a full and clear statement of the business and condition of the corporation.

## NOTICES

30. Whenever under the provisions of these by-laws notice is required to be given to any director, officer or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing by depositing the same in the post-office or letter box, in a postpaid sealed wrapper, addressed to such stockholder, officer or director at such address as appears on the books of the corporation, or, in default of other address, to such director, officer or stockholder at the general post-office in the city of Wilmington, Delaware, and such notice shall be deemed to be given at the time when the same shall thus be mailed.

Any stockholder, director or officer may waive any notice required to be given under these by-laws.

## AMENDMENTS

31. The stockholders, by the affirmative vote of a majority of the stock issued and outstanding, may at any regular, or at any special meeting, alter or amend these by-laws.

32. The board of directors by the affirmative vote of a majority of its members may alter or amend these by-laws at a regular or special meeting of the board, provided that the amendment shall have been proposed at a meeting of the board at least three days prior to said meeting.

## EXHIBIT 16

LETTER AUTHORIZING THE FORMATION OF THE  
UNITED STATES SUGAR EQUALIZATION BOARD,  
INC., JULY 8, 1918

Hon. Herbert Hoover,

United States Food Administrator:

I hereby authorize and direct you to proceed with the formation of a corporation to be known as the United

States Sugar Equalization Board, Incorporated, with general powers and character set out in the certificate of incorporation which you have submitted to me. I approve of the appointment of the following persons as directors of such corporation :

Herbert Hoover of Washington, D. C.

George M. Rolph of San Francisco, California.

Theodore F. Whitmarsh of New York, N. Y.

George A. Zabriskie of New York, N. Y.

Clarence M. Woolley of New York, N. Y.

Frank W. Taussig of Washington, D. C.

All of the capital stock is to be held by the United States except such as may be required for qualifying the individual directors or incorporators, such qualifying shares to be held by such directors or incorporators in trust for the use and benefit of the United States.

I will arrange to purchase the entire capital stock of such corporation out of the appropriation of fifty million (\$50,000,000) dollars authorized by the first provision in the Act of July 1, 1918, entitled "An Act making appropriations for sundry civil expenses of the Government for the fiscal year ending June 30, 1919, and for other purposes," from which appropriation I have set aside five million (\$5,000,000) dollars for this purpose.

I hereby direct that any outstanding stock standing in the name of the United States shall be voted by you or by such person as you see fit to appoint your agent for this purpose.

(Signed) Woodrow Wilson.

IMPORTANT LETTERS AND MEMORANDA





## EXHIBIT 17

Letter re Export Embargo on Sugar

July 29th, 1919.

Mr. Lawrence Bennett,  
War Trade Board,  
Washington, D. C.

My dear Mr. Bennett:—

As you know, the Food Administration is rapidly closing up its affairs, and with its distributive and enforcement machinery eliminated, the effectiveness of war time control is not possible at this time.

The one commodity, however, it is highly important, in the interest of American consumers, we do keep control of, is sugar, and in view of the fact that sugar is scarce throughout the world, and our price here is the most attractive, there is such a demand for our sugar from abroad that the Sugar Equalization Board is experiencing difficulty in getting the proper distribution throughout the United States.

We have maintained imports of raw sugar to the full complement of refinery capacity, but recently, with the lifting of export embargoes and more shipping space available, due to the release of tonnage, the export demand for sugar has increased tremendously, so that today we find our own consumers in competition with those of other countries for available stocks.

This Board has the full coöperation and help of the sugar refiners, but it is impossible at the present time to control the distributive trades. We find that large contracts for export have been placed with dealers and second hands for export, and there is no way to prevent this exportation except by action of the War Trade Board section of the State Department, issuing all export licenses subject to the approval of the Sugar Board, and old export licenses cancelled.

Over 50,000 tons will be shipped to Europe during July and August unless something is done to prevent it. The result will be the scarcity of sugar in this country, which at this time of fruit harvest will be disastrous. The prices of sugar in Europe at retail are

|                       |                             |
|-----------------------|-----------------------------|
| England . . . . .     | fourteen cents              |
| France . . . . .      | fifteen cents               |
| Italy . . . . .       | sixteen cents               |
| Switzerland . . . . . | twelve and two-thirds cents |

as against our refiners' price of nine cents and retail price of ten to eleven cents. You will therefore see Europe will drain our country of refined sugar unless something is done to prevent it.

You, of course, know that we have contracted for the entire Cuban crop of raw sugar which is now being shipped to America, and we are disposing of some of our raw holdings in Cuba in order to help out the European situation. The control of the exportable refined sugar, however, should be in our hands and enable our people to have sugar enough to care for and preserve the present harvest of fruits and vegetables.

Yours very sincerely,

U. S. Sugar Equalization Board, Inc.,  
(Signed) George A. Zabriskie,  
*President.*

NOTE. — The members of the War Trade Board ruled positively against the imposition of any embargo upon the export of sugar.

## EXHIBIT 18

### MEMORANDUM FOR SUGAR EQUALIZATION BOARD RE THE IMPORTANCE OF SUGAR AS FOOD

BY RAYMOND PEARL

STATISTICAL DIVISION, U. S. FOOD ADMINISTRATION  
(Aug. 9, 1918)

1. The purpose of this memorandum is to put before the Board some data as to the importance of sugar as

a food, and the necessity of maintaining an adequate supply.

2. Foods serve two purposes — the repair and maintenance of bodily tissues, and the furnishing of energy. Sugar plays no part in the replenishment of bodily tissues. Its sole function is to furnish energy, but within that field it occupies a position of first class importance. Quantitatively it is not replaceable in the dietary of this country by any other food material, and qualitatively there are only a few materials like glucose, honey, maple sugar and sorghum syrup which can substitute for it. Certain foreign countries substitute alcohol for sugar in the dietary, but that is not done to any significant extent by our population.

3. Food energy is measured in terms of calories. To our national food resources the domestic beet and domestic cane sugars, and molasses, contribute together 4,193,935,000,000 calories annually (7 year average), or 3.046 per cent of all the calories produced in the form of human food in the United States. Our domestically produced sugars (beet and cane) stand in the eighth place in importance as energy producers among all foods produced in this country, being exceeded in importance in this respect only by wheat, pork and lard, dairy products, cornmeal, beef, cottonseed oil and potatoes.

4. But our domestic sugar production is but a fraction of our total sugar consumption. We depend to a very large degree upon our island possessions and Cuba for our sugar supply. Our imports of sugar contribute to the nutrition of the nation about 14,000,000,000,000 calories annually. Our total sugars then stand in the dietary as sources of energy in fourth place, being exceeded only by wheat, pork and lard and dairy products.

5. The experience of the war has shown that serious reduction in the sugar ration is followed by more discomfort, discontent, and loss of morale than reduction

in any other food. The physiological reason for this is that, with the exception of alcohol, sugar stands practically preëminent in the quickness with which its energy is made available in the body. The experience of Germany has shown that when other foods were scarce the people instinctively increase their sugar intake because of the nutritional satisfaction it furnishes. In this country the flour restrictions, which were far more drastic relatively than sugar restrictions have at any time been, caused much less discomfort and complaint on the part of the population than have the sugar restrictions.

6. At prevailing prices sugar is one of the cheapest sources of energy among all human foods. In May, 1918, 100 calories in sugar cost .61 cents. The only foods in which one could procure 100 calories cheaper than this were, wheat flour including graham, cornmeal, corn flour, rye flour and rolled oats.

7. The writer believes, for reasons set forth above and others not here developed, that during a war it is of first class importance to maintain a supply of sugar such that the civilian population may *at all times* have up to at least 80 per cent of their normal household intake of this commodity, and except for very brief periods of possible local shortage, up to 100 per cent of household consumption. There is great potential danger in a seriously lowered sugar ration in a warring country if extended over any considerable period of time.

8. It is distinctly to be understood that in this memorandum the writer expresses no opinion whatever as to the adequacy of the prospective sugar supplies for 1918-19, or 1919-20. These prospective supplies may be entirely adequate without any stimulation whatever by increased price. The problem of whether they are likely to be or not is a problem entirely separate and distinct from the subject of this memorandum, and one on which the writer expressly avoids stating any opinion at this time and in this document.



## EXHIBIT 19

Letter from Messrs. Hawley and Rionda tendering Cuban crop of 1919-20 to the American Government.

New York, July 29, 1919

George A. Zabriskie, President  
of the "Equalization Board"

111 Wall Street  
New York City

Dear Sir: —

In pursuance of the informal discussions conducted between the subscribers, speaking by authority for the Cuban Government, and members of "The Equalization Board" as the purchasers and distributors of Cuba's Sugar Crop for the existing year, we deem it expedient to submit for your information, and as far as you may determine, for your action in continuing the control and disposition of Cuba's Crop of Sugar for the ensuing year of 1920.

In presenting our suggestions, while acting directly for the Cuban producer, we accept the grave responsibility of speaking scarcely less for the American consumer, and for that vast army of foreign consumers whose needs are of such concern to the American Government.

Fortunately for every interest involved, the great bulk of sugar required by importing countries is provided by the Island of Cuba — but she takes no note of this "coign of vantage" — on the other hand, the Island Republic, its Hacendados and farmers, and manufacturers of sugar, tender through its own Government, providing it meets with the consent and coöperation of the American Government, the entire wealth of her production, under such terms as may be agreed upon by contracting parties, at a price moderate, but compensating to the producer and well within the economic reach of the consumer.



This is the fundamental basis upon which our tender is made.

If accepted through the continued life and active participation of your respected Board — or a similar body — the whole question would be greatly simplified. If, on the contrary, the opportunity to serve — not the American people alone but the Universal Welfare — is for any reason, technical or otherwise, not availed of through one medium or another, there is not a community anywhere in America, in Europe or Asia that will not feel the consequence of our failure to provide a stable price for this most necessary article of human consumption.

Cuba approaches this question with full recognition of her relations to the American people and their Government and in the spirit of comity and desire for a complete understanding.

We await with unflagging interest your reply, the subject of which we are assured is to you, as it is to us, the most momentous in the world's economy of today.

With assurances of great respect,

Faithfully yours,

(Signed) R. B. Hawley  
Manuel Rionda

## EXHIBIT 20

Letter from Messrs. Hawley and Rionda withdrawing tender of Cuban 1919-20 crop.

September 22, 1919

Mr. George A. Zabriskie, Chairman  
of the "Equalization Board"  
111 Wall Street  
New York City

Dear Sir:

We beg leave to refer to our letter bearing date of July 29th, 1919, copy of which we inclose; as you will

observe by its terms, we were pleased at that time to inform your respected Board that the Republic of Cuba, its Hacendados and farmers, and manufacturers of sugar, acting through us in a representative capacity, were willing to tender to you or a similar body the entire production of Cuba on such terms as might be agreed upon by the contracting parties, at a price moderate, but compensating to the producer and well within the economic reach of the consumer, always provided that this offer met with the full consent and coöperation of the United States Government.

In the interval that has transpired we have awaited your answer, confidently believing that the United States Government would undertake the continued control of sugar, and every interest concerned, especially the American consumer, would experience the advantage of a stabilized market. Unfortunately, the logic of the situation has not impressed the Government, or in keeping with its traditional policy, — the war being over, — it is thought best to permit the market to be ruled by the natural law of supply and demand.

While we had hoped for a different conclusion to the negotiations put forward by Cuba, with the wealth of production represented by her producers, we reluctantly accept the situation now existing and return the authority under which we were acting. The spirit of the times is so fraught with speculation that wide fluctuations must inevitably ensue, but whatever developments may occur, speaking now only for ourselves, and whatever influence we may exert, we shall employ our best efforts in helping to maintain a conservative situation.

With assurances of great respect,

Faithfully yours

(signed) R. B. Hawley

Manuel Rionda

## EXHIBIT 21

Memorandum to the U. S. Secretary of Agriculture on  
the McNary Bill.

January 2, 1919

Hon. D. F. Houston  
Secretary of Agriculture  
Washington  
D. C.

My dear Mr. Houston :

Referring to our conference in Philadelphia on Wednesday, and in conformance with your request, the Board at a meeting this morning prepared the enclosed Memorandum, which I am authorized to forward to you as an expression of their views.

Yours very truly

(Signed) George A. Zabriskie  
President

United States Sugar Equalization Board, Inc.

## MEMORANDUM

Referring to the recent Act of Congress as to sugar control, of which Senator McNary was the patron, and the Conference of the President of the Sugar Equalization Board and several members thereof, with the Secretary of Agriculture on Wednesday, December 31, 1919:

During the year 1919, the Board, by reason of its contracts with the producers of beet and Louisiana sugar for the crop of 1918-19; its agreement with the cane refiners and the purchase of the Cuban crop of 1919, was enabled to establish the price of refined sugar in the United States at not exceeding nine (9) cents per pound wholesale, which reflected a price of from 10½ cents to 11 cents retail, and this continued until the

new 1919-20 crop of beet and Louisiana sugars began to come into the market, as to which this Board had no contract and over which it could exercise no control of distribution and price, and thereafter (from about October 15th) the control which the Board could exercise applied only to the remainder of the Cuban sugar (1919 crop) which it had purchased and which was deliverable on or before November 30, 1919, and refined sugar from this Cuban raw sugar has been sold at not exceeding nine (9) cents per pound wholesale.

In view of the fact that there is and has been throughout the last several years a shortage of sugar in the world, and the fact that the people of the United States used this year, 1919, 600,000 tons of sugar in excess of the amount consumed in the year 1918 and 300,000 tons more than was ever used in the history of the country; the further fact that the consumption of sugar per person increased in the year 1919, to about 92 pounds as against a previous normal consumption of about 85 pounds per person; the further fact that the price of sugar over which the Board had control in the year 1919 was lower throughout the United States than in any other country of the world, the Board feels that its method of sugar control and distribution was amply justified, as an instrument for assuring a supply of sugar at a reasonable price, under abnormal condition. Of course, the Board cannot be responsible for distribution and prices of beet and Louisiana sugar, in the fall of 1919, after the contract which the Board had as to such sugars came to an end.

In August, 1919, an offer was made by Cuban authorized representatives to sell the Cuban crop of 1920 to the Board and at that time the Board felt that it could renew its agreements with the producers of beet and Louisiana sugars for the new crop, which was then about to come in. Refiners also indicated a willingness to extend their agreement with the Board for an additional

year, and in view of the abnormal conditions as to sugar supply and consumption, then apparent, the majority of the Board were of the opinion that the Cuban crop of 1920 should be bought by the Board and its agreements with the Refiners and domestic sugar producers should be renewed for another year, and a memorandum was sent to the President of the United States on August 14, 1919, on behalf of the majority recommending this course.

At the first hearing upon the McNary Bill before the Senate Committee on October 3rd, 1919, the Board, through its President, expressed to the Committee its view that the Cuban crop for 1920 could and should be purchased at a reasonable price, provided the powers heretofore exercised by the Board were continued until December 31st, 1920, thus enabling the Board to see that the consumer secured refined sugar at a reasonable price, based upon the price of Cuban raw sugar. At that time the Board felt that its agreements with the beet and Louisiana sugar producers, as well as the Refiners, could be renewed, thus enabling the Board to carry out for another year the same course of action which, in the year 1919, secured the sugar supply of the United States at a price not exceeding 9 cents per pound wholesale, until the new sugar began to come in, over which the Board had no control.

No action was taken by the President of the United States upon the Memorandum to him, above mentioned, and the Board concluded that his view was that its activities should cease on December 31st, 1919, and it has been preparing to follow this course.

No action was taken by Congress until December 20th, when the Act above referred to was passed.

Conditions have now so changed that the members of the Board do not believe that action by it, under the provisions of the Act of Congress above mentioned, offers a solution of the problem of securing a regular supply of



sugar for the people of the United States, for the year 1920, at a reasonable price.

A considerable quantity of the Cuban crop of 1920 has already been sold overseas and to American refiners, and one of the elements of strength, helping materially to make the Board's control, heretofore, effective, was the fact that it owned and controlled the *entire crop of Cuban sugar* and no refiner could secure any part thereof unless he conformed to proper regulations of distribution, prices and profits.

There is no person or committee now authorized to sell the entire unsold balance of the Cuban crop of 1920, and if the United States, through the Board, should appear in the Cuban market as a purchaser of sugar, the tendency of such action, especially when the sugar must be bought in individual lots, would be to strengthen the market and further increase the price, which has already advanced to a point where the Board hardly feels that it would be sound judgment to buy.

It is certain that the time must come when the United States will no longer assume the control of this industry, and up to December 20th it seemed to be the policy for the United States to now cease its activities and allow this trade to go back to the ordinary basis of supply and demand, and it seems very doubtful to the Board whether, at this time, that apparent policy can be successfully reversed and effective control of supply, distribution and prices be reestablished.

The wholesale price of sugar in the United States is such for January, February and March delivery, that there is little hope of the Board being able to reduce the same, by purchasing Cuban sugar and attempting to reestablish control of the industry. It is possible, of course, that when the flow of raw sugars, from the large crops of Cuba and Porto Rico, reaches its peak in March and April, prices may be somewhat reduced. The Refiners' price is now 15.20 cents per pound wholesale, which

is a considerable reduction from the first offerings of sugar refined from new cane sugars. The offering of refined sugar for February delivery is at 13.50 cents per pound wholesale, with still further reductions for March, which indicates a tendency in the industry towards settling down to normal conditions.

The Government having, therefore, proceeded up to this time, apparently on the basis that the activities of this Board would cease with the end of the present agreement for the Cuban crop of 1919, the Board feels that any attempt on its part, at this late day, to carry on its former activities will be met with serious difficulties and embarrassment.

The Act of Congress limits the control of the Board over domestic sugars to June 30, 1920, and should the Board succeed in purchasing a large quantity of Cuban sugar for delivery throughout the year 1920, after June 30th, the Board would find itself in the situation of trying to maintain a uniform reasonable price over the whole country, with no control whatsoever over Louisiana, Beet, Hawaiian, and Porto Rican sugars, and this too at the time of the year when, if at all, absolute control of all sugars by the Board would be essential.

The Act further forbids the Board from putting into effect its present system of zone distribution, under which consumers get their supply from the nearest and most convenient point of production. This system has been most useful, during the year 1919, in effecting a fair distribution of available sugar.

Under the Act above mentioned certain powers are granted to the President to be used at his discretion, and the Board suggests that the situation should be made clear by authoritative statement as to what powers will or will not be exercised, so that the industry as a whole, and especially the Refiners, may without the embarrassment of uncertainty, proceed to make necessary plans to secure such raw sugars as may be essential to fill the requirements of the people of the United States.

## AMERICAN RELIEF ADMINISTRATION

Herbert Hoover, Director General  
115 Broadway, New York City

January 19, 1920.

Mr. George A. Zabriskie, Pres.,  
U. S. Sugar Equalization Board,  
111 Wall St.,  
New York City.

Dear Sir:

The undersigned concur with the other members of the Board in the memorandum sent to the President. We were intimately associated with the operations of the Food Administration from the beginning to the end, and whether or not the Department of Justice exercise their licensing power, our observations from experience with the Food Administration may be of some value.

The present and prospective sugar shortage and excessively high prices being obtained in the United States point to the possibility that the Department of Justice may exercise control through the licensing system to prevent hoarding and profiteering in the distributing trades. This suggests a control by the rationing system in order to curtail the consumption of sugar in non-essential industries, and thus enlarge the proportion available for the household. Such a rationing system of the candy, sweet drink, and other non-essential trades would reduce the demand and should (a) protect the supply to the householder throughout the year, (b) by decreasing the demand, decrease the price, (c) drive out speculation and hoarding to a large degree.

While we assume the cost of such rationing could properly be paid from the resources of the Board, we would point out that some established government department having already existing federal agencies throughout the country, such as the Department of Justice or

the Department of Agriculture, could easily use its machinery for such a purpose. Our experience in the Food Administration demonstrated clearly, however, that the central control must emanate from Washington. Our suggestion is that, while high prices will effect conservation, it is a conservation of classes whereby the rich continue their purchases without restriction, while the poor are unable to buy at all.

From our experience in the Food Administration, the present situation is not unlike the 1918 and 1919 periods, in that the peak of sugar importation will be reached in March or April, at which time there will be assured supplies, and possibly some amelioration in price. But after this time world shortages will aggravate the market and we can expect pronounced irregularities in the speculative sugar trade, and this also points to a repetition of an acute shortage at the period of greatest consumption in July, August, and September. Should there be any desire to prevent such shortages, drastic rationing of non-essential industries must be inaugurated at once.

Faithfully yours,  
(signed) Edgar Rickard  
(signed) Theodore F. Whitmarsh

## STATISTICAL TABLES





## EXHIBIT 22

RECEIPTS AND MELTINGS FOR EACH REFINERY  
FOR THE YEAR 1918*Unit: Long tons*

| REFINERIES                        | TOTAL<br>RECEIPTS<br>FOR 1918 | TOTAL<br>MELTINGS<br>FOR 1918 |
|-----------------------------------|-------------------------------|-------------------------------|
| <b>BOSTON:</b>                    |                               |                               |
| American . . . . .                | 161314                        | 161382                        |
| Revere . . . . .                  | 34397                         | 33600                         |
| Total Boston . . . . .            | 195711                        | 194982                        |
| <b>NEW YORK:</b>                  |                               |                               |
| American, Brooklyn . . . . .      | 372081                        | 366066                        |
| American, Jersey City . . . . .   | 82043                         | 82361                         |
| Arbuckle . . . . .                | 213631                        | 213631                        |
| Federal . . . . .                 | 279755                        | 277140                        |
| National, New York . . . . .      | 196799                        | 197201                        |
| National, Yonkers . . . . .       | 134127                        | 134127                        |
| Warner . . . . .                  | 212753                        | 212793                        |
| Total New York . . . . .          | 1491189                       | 1483319                       |
| <b>PHILADELPHIA:</b>              |                               |                               |
| American, Reed Street . . . . .   | 271946                        | 271835                        |
| American, Reserve . . . . .       |                               |                               |
| McCahan . . . . .                 | 73359                         | 73359                         |
| Pennsylvania . . . . .            | 132657                        | 131881                        |
| Total Philadelphia . . . . .      | 477962                        | 477075                        |
| <b>SAVANNAH:</b>                  |                               |                               |
| Savannah . . . . .                | 76959                         | 73704                         |
| <b>NEW ORLEANS:</b>               |                               |                               |
| American . . . . .                | 293560                        | 294624                        |
| Colonial . . . . .                | 68872                         | 67245                         |
| Henderson . . . . .               | 41560                         | 42151                         |
| Godchaux . . . . .                | 11286                         | 10870                         |
| Total New Orleans . . . . .       | 415278                        | 414890                        |
| <b>GALVESTON:</b>                 |                               |                               |
| Imperial . . . . .                | 42332                         | 42332                         |
| <b>SAN FRANCISCO:</b>             |                               |                               |
| California-Hawaiian . . . . .     | 237020                        | 233050                        |
| Western . . . . .                 | 163435                        | 166730                        |
| Total San Francisco . . . . .     | 400455                        | 399780                        |
| Total American Sugar Refining Co. | 1180944                       | 1176268                       |
| Grand Total . . . . .             | 3099886                       | 3086082                       |

# RECEIPTS AND MELTINGS FOR EACH REFINERY FOR THE YEAR 1919—

*Unit: Long tons*

| REFINERIES                        | TOTAL<br>RECEIPTS<br>FOR 1919 | TOTAL<br>MELTINGS<br>FOR 1919 |
|-----------------------------------|-------------------------------|-------------------------------|
| <b>BOSTON:</b>                    |                               |                               |
| American . . . . .                | 180313                        | 180056                        |
| Revere . . . . .                  | 95230                         | 96027                         |
| Total Boston . . . . .            | 275543                        | 276083                        |
| <b>NEW YORK:</b>                  |                               |                               |
| American, Brooklyn . . . . .      | 385003                        | 386306                        |
| American, Jersey City . . . . .   | 151882                        | 151882                        |
| Arbuckle . . . . .                | 259429                        | 259429                        |
| Federal . . . . .                 | 298165                        | 299394                        |
| National, New York . . . . .      | 282489                        | 281783                        |
| National, Yonkers . . . . .       | 194595                        | 193883                        |
| Warner . . . . .                  | 279582                        | 276296                        |
| Total New York . . . . .          | 1851145                       | 1848973                       |
| <b>PHILADELPHIA:</b>              |                               |                               |
| American, Reed Street . . . . .   | 312972                        | 313083                        |
| American, Reserve . . . . .       | 113050                        | 113050                        |
| McCahan . . . . .                 | 87176                         | 87176                         |
| Pennsylvania . . . . .            | 184634                        | 185175                        |
| Total Philadelphia . . . . .      | 697832                        | 698484                        |
| <b>SAVANNAH:</b>                  |                               |                               |
| Savannah . . . . .                | 92196                         | 94125                         |
| <b>NEW ORLEANS:</b>               |                               |                               |
| American . . . . .                | 319961                        | 319908                        |
| Colonial . . . . .                | 83280                         | 82892                         |
| Godchaux . . . . .                | 58304                         | 58271                         |
| Henderson . . . . .               | 49129                         | 49129                         |
| Total New Orleans . . . . .       | 510674                        | 510200                        |
| <b>GALVESTON:</b>                 |                               |                               |
| Sugarland Industries . . . . .    | 59121                         | 55300                         |
| <b>SAN FRANCISCO:</b>             |                               |                               |
| California-Hawaiian . . . . .     | 272025                        | 277432                        |
| Western . . . . .                 | 140529                        | 142194                        |
| Total San Francisco . . . . .     | 412554                        | 419626                        |
| Total American Sugar Refining Co. | 1463181                       | 1464285                       |
| Grand Total . . . . .             | 3899065                       | 3902791                       |

## EXHIBIT 23

**TOTAL SHIPMENTS OF ROYAL COMMISSION SUGAR  
REFINED ON TOLL BY UNITED STATES RE-  
FINERS, 1918-19 CUBAN CROP**

*Unit: Long tons*

| REFINERY               | ALLOCATIONS TO REFINERS |                    | TOTAL<br>SHIPPED BY<br>REFINERS |
|------------------------|-------------------------|--------------------|---------------------------------|
|                        | Raw<br>in Full          | Refined<br>in Full |                                 |
| American . . . . .     | 229,505                 | 214,490            | 214,490                         |
| Arbuckle . . . . .     | 42,912                  | 40,105             | 40,105                          |
| Colonial . . . . .     | 13,646                  | 12,753             | 12,753                          |
| Federal . . . . .      | 50,477                  | 47,175             | 47,175                          |
| Godchaux . . . . .     | 9,078                   | 8,484              | 4,470*                          |
| Henderson . . . . .    | 7,626                   | 7,128              | 7,128                           |
| National . . . . .     | 75,382                  | 70,331             | 70,331                          |
| Pennsylvania . . . . . | 28,679                  | 26,803             | 26,803                          |
| Revere . . . . .       | 15,408                  | 14,400             | 14,400                          |
| Sayannah . . . . .     | 11,311                  | 10,571             | 10,571                          |
| Warner . . . . .       | 28,409                  | 26,550             | 26,550                          |
| <b>TOTAL . . . . .</b> | <b>512,433</b>          | <b>478,790</b>     | <b>474,776</b>                  |

NOTE. — The above figures cover shipments on the 1918-19 Cuban crop only and do not include 42,727 tons of sugars shipped to the Royal Commission in 1919 from the balance of the 1917-18 crop. Of the above shipments of 474,776 tons on the 1918-19 crop, 26,432 tons were shipped in January, 1920. Table II, Exhibit 25 below, gives the 1919 shipments to the Royal Commission by months.

\* 4,014 tons not shipped to date.

## EXHIBIT 24

MONTHLY SHIPMENTS OF SUGAR BY REFINERS FROM THE UNITED STATES  
EXCLUSIVE OF ROYAL COMMISSION SUGARS. 1919

Unit: Long tons

|            | AMERICAN | ARBUCKLE | FEDERAL | NATIONAL | WARNER | HENDERSON | REVERE | PENN. | TOTAL   |
|------------|----------|----------|---------|----------|--------|-----------|--------|-------|---------|
| February   | 4,116    | 205      | 1,568   | 3,653    | 6,715  | 179       | 13     | ..... | 16,449  |
| March      | 3,884    | 310      | 890     | 834      | 6,691  | 180       | .....  | ..... | 12,789  |
| April      | 5,322    | 355      | 4,132   | 1,117    | 4,010  | 316       | .....  | ..... | 15,252  |
| May        | 11,130   | 769      | 3,583   | 4,298    | 7,244  | 348       | .....  | ..... | 27,372  |
| June       | 4,475    | 4,046    | 1,696   | .....    | 2,722  | 602       | .....  | 3,000 | 16,541  |
| July       | 13,538   | 3,396    | 6,115   | 993      | 45     | 206       | .....  | ..... | 24,293  |
| August     | 10,790   | 104      | 8,131   | .....    | 1,730  | .....     | .....  | ..... | 20,755  |
| September  | 18,164   | 100      | 1,016   | .....    | 1,342  | .....     | .....  | ..... | 20,622  |
| October    | 5,775    | .....    | 588     | .....    | 2,894  | .....     | .....  | ..... | 9,257   |
| November   | 12,960   | .....    | 81      | 300      | 7,418  | .....     | .....  | ..... | 20,759  |
| December   | 1,118    | .....    | 31      | .....    | 3,895  | .....     | .....  | ..... | 5,044   |
| TOTAL      | 91,272   | 9,285    | 27,831  | 11,195   | 44,706 | 1,831     | 13     | 3,000 | 189,133 |
| % of TOTAL | 48.27    | 4.91     | 14.70   | 5.91     | 23.64  | .97       | .01    | 1.59  | 100.000 |



## EXHIBIT 25

BASIC STATISTICAL DATA ON SUGAR FOR YEAR  
1919 COMPARED WITH 1918

(All Quantities in Long Tons)

TABLE I — GENERAL SUMMARY

January 1 to December 31, 1919

| PERIOD                     | REFINERS' DELIVERIES |                   | DELIVERIES<br>OF BEET<br>SUGAR.<br>LA. CANE † | EXPORTS | BALANCE<br>FOR<br>DOMESTIC<br>CONSUMPTION |
|----------------------------|----------------------|-------------------|---|---------|---|
|                            | Total                | Weekly<br>Average |   |         |   |
| 1st Quarter—1919 .         | 711,000              | 55,000            | 307,000                                       | 100,000 | 918,000                                   |
| April (5 weeks) . .        | 454,000              | 91,000            | 68,000  | 78,000  | 444,000                                   |
| May (4 weeks) . .          | 382,000              | 95,000            | 72,000  | 49,000  | 405,000                                   |
| June (4 weeks) . .         | 430,000              | 108,000           | 73,000  | 128,000 | 375,000                                   |
| 2d Quarter—1919            | 1,266,000            | 97,000            | 213,000                                       | 255,000 | 1,224,000                                 |
| July (5 weeks) . .         | 469,000              | 94,000            | 68,000  | 56,000  | 481,000                                   |
| August (4 weeks) .         | 309,000              | 77,000            | 30,000  | 53,000  | 286,000                                   |
| September (4 weeks)        | 327,000              | 82,000            | 56,000  | 40,000  | 343,000                                   |
| 3d Quarter—1919            | 1,105,000            | 79,000            | 154,000                                       | 149,000 | 1,110,000                                 |
| October (5 weeks) .        | 262,000              | 52,000            | 67,000  | 53,000  | 276,000                                   |
| November (4 weeks)         | 170,000              | 43,000            | 176,000                                       | 58,000  | 288,000                                   |
| December (4 weeks)         | 125,000              | 31,000            | 153,000                                       | 44,000  | 234,000                                   |
| 4th Quarter—1919           | 557,000              | 43,000            | 396,000                                       | 155,000 | 798,000                                   |
| Total for Year, . .        |                      |                   |   |         |   |
| January 1—December 31—1919 |                      |                   |   |         |   |
| 52 weeks . . . .           | 3,639,000            | 70,000            | 1,118,000 †                                   | 659,000 | 4,098,000 ‡                               |

January 1 to December 31, 1918

|  |           |        |         |         |           |
|--|-----------|--------|---------|---------|-----------|
| 1st Quarter—1918<br>(13 weeks) . . .                 | 651,000   | 50,000 | 202,000 | 9,000   | 844,000   |
| 2d Quarter—1918<br>(13 weeks) . . .                  | 999,000   | 77,000 | 134,000 | 25,000  | 1,108,000 |
| 3d Quarter—1918<br>(13 weeks) . . .                  | 690,000   | 53,000 | 55,000  | 36,000  | 709,000   |
| 4th Quarter—1918<br>(13 weeks) . . .                 | 514,000   | 40,000 | 300,000 | 80,000  | 734,000   |
| Total for Year,<br>January 1—December 31, 1917 . . . | 2,854,000 | 55,000 | 691,000 | 150,000 | 3,395,000 |

† Estimated. ‡ Including imports for the year of Hawaiian refined and raw and washed sugars for which data are not available by months.

TABLE II — EXPORTS FROM THE UNITED STATES, 1919

| MONTH                               | REPORTED<br>BY DEPT. OF<br>COMMERCE | REPORTED BY REFINERS               |                                   |         |
|-------------------------------------|-------------------------------------|------------------------------------|-----------------------------------|---------|
|                                     |                                     | Royal Com-<br>mission<br>Shipments | Sales Aside<br>from<br>Royal Com. | TOTAL   |
| January . . . . .                   | 29,315                              | 28,944                             |                                   | 28,944  |
| February . . . . .                  | 31,224                              | 17,893                             | 16,449                            | 34,342  |
| March . . . . .                     | 39,265                              | 21,026                             | 12,789                            | 33,815  |
| First Quarter . . .                 | 99,804                              | 67,863                             | 29,238                            | 97,101  |
| April . . . . .                     | 78,406                              | 77,141                             | 15,252                            | 92,393  |
| May . . . . .                       | 48,899                              | 43,464                             | 27,372                            | 70,836  |
| June . . . . .                      | 128,124                             | 90,794                             | 16,541                            | 107,335 |
| Second Quarter . .                  | 255,429                             | 211,399                            | 59,165                            | 270,564 |
| July . . . . .                      | 55,784                              | 43,855                             | 24,293                            | 68,148  |
| August . . . . .                    | 53,169                              | 5,246                              | 20,755                            | 26,001  |
| September . . . . .                 | 39,908                              | 10,300                             | 20,622                            | 30,922  |
| Third Quarter . . .                 | 148,861                             | 59,401                             | 65,670                            | 125,071 |
| October . . . . .                   | 52,766                              | 47,070                             | 9,257                             | 56,327  |
| November . . . . .                  | 57,656                              | 43,390                             | 20,759                            | 64,149  |
| December . . . . .                  | 44,281                              | 61,264                             | 5,044                             | 66,308  |
| Fourth Quarter . .                  | 154,703                             | 151,724                            | 35,060                            | 186,784 |
| TOTAL                               |                                     |                                    |                                   |         |
| Jan. 1-Decem-<br>ber 31, 1919 . . . | 658,797                             | 490,387                            | 189,133                           | 679,520 |

NOTE. — It will be seen from the above table that refiners reported their exports for 1919 as 20,723 tons in excess of the figure given by the Department of Commerce. It would have been reasonable to anticipate the reverse situation since exports by others than refiners are included in the figures of the Department of Commerce. The difference is perhaps to be accounted for by variations in dates, methods of calculation, etc.

TABLE III — REFINERS' STOCKS OF RAW AND REFINED SUGAR  
ON VARIOUS DATES

| DATE                        | REFINED<br>STOCKS | RAW STOCK<br>(REFINED<br>BASIS) | TOTAL STOCK<br>(REFINED<br>BASIS) |
|-----------------------------|-------------------|---------------------------------|-----------------------------------|
| October 1, 1917 . . . . .   | 113,747           | 64,313                          | 178,060                           |
| January 1, 1918 . . . . .   | 31,446            | 9,537                           | 40,983                            |
| February 1, 1918 . . . . .  | 38,507            | 22,249                          | 60,756                            |
| March 1, 1918 . . . . .     | 32,189            | 47,863                          | 80,052                            |
| April 1, 1918 . . . . .     | 56,537            | 55,937                          | 112,474                           |
| June 1, 1918 . . . . .      | 61,138            | 135,658                         | 196,796                           |
| July 1, 1918 . . . . .      | 40,604            | 145,004                         | 185,608                           |
| October 1, 1918 . . . . .   | 82,242            | 42,576                          | 124,818                           |
| January 1, 1919 . . . . .   | 47,737            | 18,522                          | 66,259                            |
| April 1, 1919 . . . . .     | 156,068           | 99,407                          | 255,475                           |
| May 1, 1919 . . . . .       | 123,379           | 172,343                         | 295,722                           |
| June 1, 1919 . . . . .      | 110,515           | 187,210                         | 297,725                           |
| July 1, 1919 . . . . .      | 59,983            | 141,074                         | 201,057                           |
| August 1, 1919 . . . . .    | 35,774            | 107,267                         | 143,041                           |
| September 1, 1919 . . . . . | 30,880            | 79,655                          | 110,535                           |
| October 1, 1919 . . . . .   | 39,040            | 51,749                          | 90,789                            |
| November 1, 1919 . . . . .  | 68,699            | 51,460                          | 120,159                           |
| December 1, 1919 . . . . .  | 57,275            | 51,217                          | 108,492                           |
| January 1, 1920 . . . . .   | 38,680            | 13,566                          | 52,246                            |

TABLE IV — REFINERS' MELTINGS

| MONTH   | NO. OF<br>WEEKS REP-<br>RESENTED | 1919<br>TONS | WEEKLY<br>AVERAGE | 1918<br>TONS | WEEKLY<br>AVERAGE |
|---|----------------------------------|--------------|-------------------|--------------|-------------------|
| January . . . . .                                     | 5                                | 209,132      | 42,000            | 172,508      | 34,000            |
| February . . . . .                                    | 4                                | 341,284      | 85,000            | 253,389      | 63,000            |
| March . . . . .                                       | 4                                | 330,090      | 82,000            | 301,550      | 75,000            |
| 1st Quarter . . . . .                                 | 13                               | 880,506      | 68,800            | 727,447      | 56,000            |
| April . . . . .                                       | 5                                | 450,962      | 90,000            | 382,863      | 76,000            |
| May . . . . .   | 4                                | 398,340      | 100,000           | 339,880      | 85,000            |
| June . . . . .  | 4                                | 408,197      | 102,000           | 334,027      | 84,000            |
| 2d Quarter . . . . .                                  | 13                               | 1,257,499    | 97,000            | 1,056,770    | 81,000            |
| July . . . . .  | 5                                | 478,264      | 96,000            | 354,737      | 71,000            |
| August . . . . .                                      | 4                                | 327,214      | 82,000            | 229,553      | 57,000            |
| September . . . . .                                   | 4                                | 360,542      | 90,000            | 201,926      | 50,000            |
| 3d Quarter . . . . .                                  | 13                               | 1,166,020    | 90,000            | 786,216      | 60,000            |
| October . . . . .                                     | 5                                | 313,837      | 63,000            | 232,502      | 46,000            |
| November . . . . .                                    | 4                                | 171,012      | 43,000            | 156,411      | 39,000            |
| December . . . . .                                    | 4                                | 113,917      | 28,000            | 126,736      | 32,000            |
| 4th Quarter . . . . .                                 | 13                               | 598,766      | 46,000            | 515,649      | 40,000            |
| Total for year<br>January 1—<br>December 31 . . . . . |                                  | 3,902,791    | 76,000            | 3,086,082    | 59,000            |

TABLE V—DELIVERIES OF SUGAR OTHER THAN BY REFINERS

## A—BEET SUGAR DISTRIBUTION

|                           | 1919    | 1918    |
|---------------------------|---------|---------|
| January . . . . .         | 87,016  | 69,209  |
| February . . . . .        | 59,578  | 53,441  |
| March . . . . .           | 64,843  | 49,000  |
| 1st Quarter . . . . .     | 211,437 | 171,650 |
| April . . . . .           | 61,955  | 43,118  |
| May . . . . .             | 66,535  | 34,216  |
| June . . . . .            | 68,816  | 40,154  |
| 2d Quarter . . . . .      | 197,306 | 117,488 |
| July . . . . .            | 63,000  | 10,986  |
| August . . . . .          | 23,000  | 10,004  |
| September * . . . .       | 50,000  | 24,302  |
| 3d Quarter . . . . .      | 136,000 | 45,292  |
| October * . . . .         | 67,000  | 32,545  |
| November * . . . .        | 129,000 | 70,529  |
| December * . . . .        | 128,000 | 86,126  |
| 4th Quarter . . . . .     | 324,000 | 189,200 |
| Total, for year . . . . . | 868,700 | 523,630 |

## B—LOUISIANA DIRECT CONSUMPTION SUGAR

|                          | 1919    | 1918    |
|--------------------------|---------|---------|
| First Quarter . . . . .  | 85,000  | 5,000   |
| Second Quarter . . . . . | 6,000   | None    |
| Third Quarter . . . . .  | None    | 5,000   |
| Fourth Quarter . . . . . | 100,000 | 103,000 |
| Total for Year . . . . . | 191,000 | 113,000 |

## C—IMPORTS OF HAWAIIAN REFINED

|                          | 1919   | 1918   |
|--------------------------|--------|--------|
| First Quarter . . . . .  | 3,805  | 9,204  |
| Second Quarter . . . . . | 5,625  | 5,726  |
| Third Quarter . . . . .  | None   | 1,527  |
| Fourth Quarter . . . . . | 1,246  | 3,700  |
| Total for Year . . . . . | 10,676 | 20,157 |

\* Monthly figures for new crop beet prorated last four months, but total figure is from returns by all beet sugar companies except three factories, production of which was negligible.

## D—RAW AND WASHED SUGARS DIRECT TO CONSUMPTION

|                          | 1919   | 1918   |
|--------------------------|--------|--------|
| First Quarter . . . . .  | 6,788  | 15,907 |
| Second Quarter . . . . . | 4,000  | 10,691 |
| Third Quarter . . . . .  | 18,266 | 3,032  |
| Fourth Quarter . . . . . | 18,859 | 3,700  |
| Total for Year . . . . . | 47,913 | 33,330 |

## E—PURCHASES AND ALLOTMENTS UNDER GOVERNMENT CONTROL OF THE SUGAR INDUSTRY

| PURCHASED BY UNITED STATES SUGAR EQUALIZATION BOARD, INC., 1919 |           |            | PURCHASED BY INTERNATIONAL SUGAR COMMITTEE 1918 |            |
|---|-----------|------------|---|------------|
|   | Long tons | Percentage | Long tons                                       | Percentage |
| Colombia . . . . .  |           |            | 48  |            |
| Costa Rica . . . . .  |           |            | 220   | .01        |
| Cuba . . . . .  | 2,916,052 | 82.97      | 2,371,519                                       | 79.67      |
| Haiti . . . . .   | 3,677     | .11        |   |            |
| Honduras . . . . .  | 5,027     | .14        | 3,855   | .13        |
| Hawaii . . . . .  | 167,778   | 4.77       | 8,953   | .30        |
| Java . . . . .  | 10,483    | .30        |   |            |
| Louisiana . . . . .   | 2,143     | .06        | 31,028  | 1.04       |
| Peru . . . . .  | 505       | .02        | 11,966  | .40        |
| Philippines . . . . .   | 24,000    | .68        | 11,450  | .39        |
| Porto Rico . . . . .  | 364,592   | 10.37      | 376,618   | 12.65      |
| St. Croix . . . . .   | 10,570    | .30        | 4,608   | .16        |
| San Domingo . . . . .   | 1,000     | .03        | 116,705   | 3.92       |
| Surinam . . . . .   | 916       | .03        | 4,456   | .15        |
| Venezuela . . . . .   | 7,791     | .22        | 35,276  | 1.19       |
| TOTAL . . . . .   | 3,514,534 | 100.00     | 2,976,727                                       | 100.00     |



## EXHIBIT 26

MEMORANDUM OF SUGAR ARRANGED FOR BY  
 "COMMITTEE<sup>1</sup> ON SUGAR SUPPLY FOR THE  
 ARMY, NAVY, AND VARIOUS RELIEF ORGANIZA-  
 TIONS," FROM AUGUST 17, 1917, TO JANUARY 28,  
 1920

| PRODUCER                             | QUANTITY<br>ALLOTTED | PRO RATA DUE |             | EXCESS      | DEFICIENCY  |
|--------------------------------------|----------------------|--------------|-------------|-------------|-------------|
|                                      |                      | Per Cent     | Quantity    |             |             |
|                                      | <i>lbs.</i>          |              | <i>lbs.</i> | <i>lbs.</i> | <i>lbs.</i> |
| American . . . .                     | 165,690,519          | 40.650       | 161,865,502 | 3,825,017   |             |
| National . . . .                     | 51,653,600           | 12.007       | 47,811,048  | 3,842,552   |             |
| Arbuckle . . . .                     | 30,051,700           | 7.000        | 27,873,518  | 3,178,182   |             |
| Federal . . . .                      | 39,879,000           | 9.605        | 38,246,449  | 1,623,551   |             |
| Warner . . . .                       | 33,179,200           | 7.204        | 28,685,832  | 4,493,368   |             |
| Revere . . . .                       | 2,954,000            | .960         | 3,822,654   |             | 868,654     |
| Pennsylvania . . . .                 | 17,845,600           | 4.802        | 19,121,233  |             | 1,275,633   |
| McCahan . . . .                      | 8,885,400            | 2.402        | 9,564,599   |             | 679,199     |
| Colonial . . . .                     | 10,890,000           | 2.330        | 9,277,899   | 1,612,101   |             |
| Henderson . . . .                    | 3,585,000            | .960         | 3,822,654   |             | 237,654     |
| Savannah . . . .                     | 19,665,000           | 2.402        | 9,564,599   | 10,100,401  |             |
| Imperial . . . .                     | 9,368,000            | 1.513        | 6,024,662   | 3,343,338   |             |
| California and Ha-<br>waiian . . . . | 2,510,000            | 4.803        | 19,125,215  |             | 16,615,215  |
| Western <sup>2</sup> . . . .         | 2,045,098            | 3.362        | 18,387,253  |             | 11,342,155  |
|                                      | 398,193,117          | 100.000      | 398,193,117 | 31,018,510  | 31,018,510  |
| Beet Co's. . . .                     | 44,114,400           |              |             |             |             |
| La. Sugar Com. . . .                 | 49,519,900           |              |             |             |             |
| Amer. Ref. Com. . . .                | 6,612,600            |              |             |             |             |
| Dealers . . . .                      | 1,100,000            |              |             |             |             |
| TOTAL . . . .                        | 499,540,017          |              |             |             |             |

<sup>1</sup> This Committee was organized as the result of a conference held in Washington, D. C., on August 17, 1917, between representatives of the Advisory Commission of the Council of National Defence, the U. S. Food Administration, War Industries Board, the U. S. Army and Navy and a representative group of Sugar Refiners and Producers, called together by the Council of National Defence at the suggestion of Quartermaster General Smith, of the Army, to consider and provide for the prompt acceptance and delivery of the sugar requisitions of the various branches of the Government Service, the Army, Navy and Marine Corps. The members of this Committee were as follows — Mr. James H. Post, Chairman, Mr. Manuel Rionda, Mr. F. R. Hathaway, Mr. R. M. Parker, Mr. Horace Havemeyer, Secretary. The U. S. Food Administration determined the prices which the Government was to pay for the sugars obtained by this Committee.

<sup>2</sup> The small deliveries of sugar by the California-Hawaiian and Western Sugar Companies shown in the above statement were due to the very light demand from the Government in the Pacific Coast territory and also to the freight and other conditions favoring the placing of such orders with the Beet Producers.

## EXHIBIT 27

EFFECT OF THE GREAT WAR ON THE WORLD'S  
SUGAR PRODUCTION

The impact of the Great War upon the world's sugar production is demonstrated in the following table. The total production in America increased from 4,983,432 long tons in the crop year of 1913-14 to 6,520,005 in 1918-19. The major portion of this increase was, of course, in Cuba, where production mounted from 2,597,732 tons in the crop year 1913-14 to 3,971,776 tons in 1918-19. The Javan crop increased from 1,345,230 tons in 1913-14 to 1,669,637 tons in 1918-19, but there was an abrupt decline in the 1919-20 crop, which was only 1,300,000 tons. The total world's cane sugar production thus increased from 9,892,000 tons in 1913-14 to 11,982,320 tons in the 1918-19 crop and the forecast for the 1919-20 world's cane crop is 12,559,000 tons.<sup>1</sup>

The great decline in European beet sugar production, it will be noted, more than neutralized the phenomenal increase in the cane sugar countries. From a production of 8,180,964 tons in 1913-14, there was a precipitous decline to 3,642,664 tons, and the forecast for the 1919-20 crop is even below this point, being but 3,409,000 tons. The total world's production, as a result of the Great War, has thus fallen from 18,738,326 tons in 1913-14 to 16,322,176 tons in 1918-19.

<sup>1</sup> Since the above was written, the estimate for 1919-20 has been reduced to 11,747,000 tons.

## SUGAR CROPS OF THE WORLD.

{ Unit: Long Tons.  
Crop Year: From June to June approximately.  
Source of data: Willett & Gray's Latest Estimates.

|                                 | (PRELIMINARY ESTIMATE) 1919-20 | 1918-19   | 1917-18   | 1916-17   | 1915-16                | 1914-15                | 1913-14     | 1912-13   | 1911-12   | 1910-11   |
|---------------------------------|--------------------------------|-----------|-----------|-----------|------------------------|------------------------|-------------|-----------|-----------|-----------|
| <b>UNITED STATES</b>            |                                |           |           |           |                        |                        |             |           |           |           |
| Louisiana . . . . .             | 120,000                        | 250,802   | 217,499   | 271,339   | 122,768                | 216,696                | 261,337     | 137,119   | 316,000   | 306,000   |
| Texas . . . . .                 | 3,000                          | 3,125     | 2,009     | 6,250     | 1,000                  | 3,500                  | 7,000       | 8,036     | 7,143     | 11,000    |
| Porto Rico . . . . .            | 400,000                        | 375,000   | 405,174   | 448,567   | 431,335                | 308,178                | 325,000     | 350,323   | 320,000   | 295,000   |
| Hawaiian Islands . . . . .      | 550,000                        | 515,035   | 575,510   | 529,595   | 577,186                | 577,186                | 550,925     | 488,213   | 531,480   | 506,096   |
| West Indies—St. Croix . . . . . | 7,000                          | 6,500     | 5,400     | 7,787     | 14,750                 | 4,500                  | 5,800       | 6,609     | 7,074     | 15,000    |
| CUBA . . . . .                  | 4,500,000                      | 3,971,776 | 3,446,083 | 3,023,720 | 3,007,915              | 2,592,667              | 2,597,732   | 2,428,537 | 1,895,984 | 1,483,451 |
| <b>BRITISH WEST INDIES</b>      |                                |           |           |           |                        |                        |             |           |           |           |
| Trinidad . . . . .              | 60,000                         | 50,000    | 45,256    | 70,801    | 64,231                 | 58,822                 | 47,251      | 31,665    | 32,557    | 37,282    |
| Barbados . . . . .              | 85,000                         | 80,000    | 65,230    | 55,456    | 65,000                 | 32,578                 | 33,207      | 11,479    | 30,528    | 32,514    |
| Jamaica . . . . .               | 40,000                         | 40,000    | 34,300    | 28,331    | 15,143                 | 15,003                 | 15,583      | 8,728     | 21,835    | 10,960    |
| Antigua and St. Kitts . . . . . | 20,000                         | 21,000    | 18,255    | 32,094    | (Not given separately, |                        | included in | "Others") | 20,000    | 18,000    |
| Others . . . . .                | 15,000                         | 10,000    | 16,745    | 7,906     | 35,371                 | 24,000                 | 24,000      | 24,000    | 8,000     | 5,577     |
| <b>FRENCH WEST INDIES</b>       |                                |           |           |           |                        |                        |             |           |           |           |
| Martinique . . . . .            | 30,000                         | 35,000    | 20,881    | 34,443    | 38,025                 | 38,581                 | 38,730      | 40,000    | 39,433    | 35,438    |
| Guadeloupe . . . . .            | 25,000                         | 25,000    | 28,000    | 36,160    | 34,110                 | 40,000                 | 39,020      | 32,000    | 35,000    | 39,000    |
| SAN DOMINGO . . . . .           | 150,000                        | 105,000   | 145,000   | 130,171   | 126,058                | 108,267                | 105,778     | 84,661    | 96,046    | 89,979    |
| HAYTI . . . . .                 | 15,000                         | 18,000    | .....     | .....     | .....                  | .....                  | .....       | .....     | .....     | .....     |
| MEXICO . . . . .                | 35,000                         | 40,000    | 40,000    | 50,000    | 65,000                 | 110,000                | 130,000     | 148,672   | 151,735   | 161,602   |
| CENTRAL AMERICA . . . . .       | 20,000                         | 30,000    | 25,000    | 25,000    | 35,000                 | 22,000                 | 22,000      | 22,000    | 20,389    | 20,215    |
| <b>SOUTH AMERICA</b>            |                                |           |           |           |                        |                        |             |           |           |           |
| Demerara . . . . .              | 100,000                        | 93,902    | 114,007   | 101,650   | 116,224                | 113,632                | 101,725     | 83,922    | 83,294    | 108,297   |
| Surinam . . . . .               | 10,000                         | 12,000    | 10,009    | 12,000    | 13,000                 | 12,000                 | 14,000      | 9,584     | 9,584     | 13,000    |
| Venezuela . . . . .             | 12,000                         | 15,000    | 15,000    | 18,428    | 7,000                  | 3,000                  | 3,000       | 3,000     | 3,000     | 3,000     |
| Ecuador . . . . .               | 7,000                          | 7,000     | 8,000     | 7,000     | 7,567                  | (Not given separately) |             | .....     | .....     | .....     |
| Peru . . . . .                  | 275,000                        | 250,000   | 265,000   | 276,000   | 262,840                | 220,257                | 176,671     | 142,902   | 147,410   | 123,786   |
| Argentina . . . . .             | 175,000                        | 240,000   | 130,266   | 87,999    | 149,299                | 335,833                | 286,319     | 147,248   | 186,092   | 148,855   |
| Brazil . . . . .                | 200,000                        | 260,000   | 148,958   | 150,951   | 194,000                | 249,000                | 203,394     | 204,000   | 235,000   | 287,000   |
| (Total in America) . . . . .    | 6,834,000                      | 6,520,005 | 5,721,107 | 5,456,453 | 5,336,432              | 5,076,760              | 4,983,432   | 4,412,788 | 4,191,604 | 3,760,052 |
| <b>BRITISH INDIA</b> . . . . .  | 3,000,000                      | 2,337,000 | 3,331,000 | 2,728,000 | 2,634,000              | 2,460,573              | 2,291,500   | 2,583,600 | 2,457,100 | 2,225,400 |
| JAVA . . . . .                  | 1,300,000                      | 1,669,637 | 1,791,064 | 1,596,174 | 1,198,567              | 1,303,045              | 1,345,230   | 1,331,180 | 1,395,500 | 1,229,100 |

|                                    |            |            |            |            |            |            |            |            |            |            |
|------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| FORMOSA AND JAPAN                  | 355,000    | 415,678    | 397,618    | 436,026    | 405,227    | 262,000    | 204,000    | 113,100    | 173,223    | 267,000    |
| PHILIPPINE ISLANDS                 | 175,000    | 150,000    | 216,260    | 202,655    | 332,158    | 243,000    | 225,000    | 155,201    | 190,702    | 203,754    |
| (Total in Asia)                    | 4,830,000  | 4,572,315  | 5,715,942  | 4,962,855  | 4,569,952  | 4,268,618  | 4,065,730  | 4,183,081  | 4,210,025  | 3,926,284  |
| AUSTRALIA                          | 250,000    | 226,000    | 335,900    | 192,831    | 159,681    | 146,408    | 255,000    | 129,783    | 190,296    | 229,584    |
| Fiji ISLANDS                       | 80,000     | 80,000     | 70,800     | 95,900     | 90,000     | 102,000    | 100,000    | 60,000     | 75,000     | 60,000     |
| (Total in Australia and Polynesia) | 330,000    | 306,000    | 396,700    | 288,731    | 249,681    | 348,408    | 355,000    | 189,783    | 265,296    | 298,584    |
| EGYPT                              | 75,000     | 82,000     | 79,450     | 101,832    | 98,964     | 75,420     | 69,368     | 75,420     | 57,879     | 49,394     |
| MAURITIUS                          | 240,000    | 232,000    | 225,466    | 209,035    | 215,528    | 277,164    | 240,800    | 266,497    | 164,260    | 226,000    |
| REUNION                            | 50,000     | 50,000     | 50,000     | 42,152     | 45,000     | 39,267     | 35,782     | 38,508     | 43,024     | 43,128     |
| NATAL                              | 125,000    | 144,000    | 166,250    | 114,494    | 112,081    | 91,619     | 85,714     | 82,589     | 92,000     | 82,000     |
| MOZAMBIQUE                         | 50,000     | 50,000     | 50,000     | 55,000     | 50,000     | 40,000     | 34,000     | 30,000     | 27,700     | 15,700     |
| (Total in Africa)                  | 540,000    | 578,000    | 511,166    | 522,513    | 521,573    | 523,788    | 474,664    | 433,074    | 383,863    | 410,321    |
| EUROPE                             |            |            |            |            |            |            |            |            |            |            |
| Spain                              | 5,000      | 6,000      | 6,000      | 4,584      | 6,359      | 7,376      | 13,231     | 13,817     | 16,176     | 20,293     |
| Total Cane Sugar Crops             | 12,559,000 | 11,982,320 | 12,350,915 | 11,235,136 | 10,683,997 | 10,224,950 | 9,892,057  | 9,232,543  | 9,066,964  | 8,421,534  |
| EUROPE—Beet                        |            |            |            |            |            |            |            |            |            |            |
| Germany                            | 1,300,000  | 1,411,900  | 1,570,578  | 1,603,920  | 1,400,000  | 2,500,000  | 2,720,800  | 2,732,189  | 1,505,479  | 2,606,122  |
| Czecho-Slovakia, etc.              | 600,000    | 700,000    | 668,250    | 944,500    | 1,011,400  | 1,002,315  | 1,703,000  | 1,919,853  | 1,154,606  | 1,538,034  |
| France                             | 100,000    | 109,783    | 200,265    | 184,191    | 135,899    | 302,961    | 805,000    | 978,838    | 516,618    | 724,897    |
| Belgium                            | 100,000    | 75,000     | 131,031    | 112,947    | 123,068    | 231,000    | 231,000    | 203,253    | 242,260    | 284,714    |
| Holland                            | 250,000    | 164,981    | 109,295    | 269,180    | 240,000    | 302,458    | 230,000    | 316,933    | 267,607    | 221,359    |
| Russia                             | 500,000    | 700,000    | 1,028,580  | 1,321,600  | 1,467,096  | 1,967,336  | 1,687,799  | 1,383,754  | 2,058,635  | 2,140,000  |
| Sweden                             | 140,000    | 119,000    | 125,000    | 159,000    | 127,315    |            |            |            |            |            |
| Denmark                            | 120,000    | 115,000    | 115,000    | 112,800    | 125,200    |            |            |            |            |            |
| Italy                              | 150,000    | 100,000    | 100,000    | 140,000    | 230,000    | 704,537    | 804,165    | 700,243    | 530,000    | 590,000    |
| Spain                              | 135,000    | 135,000    | 134,955    | 125,540    | 160,000    |            |            |            |            |            |
| Switzerland                        | 4,000      | 4,000      | 4,000      | 4,000      | 4,000      |            |            |            |            |            |
| Bulgaria and Roumania              | 10,000     | 8,000      | 11,000     | 15,000     | 53,000     |            |            |            |            |            |
| (Total in Europe)                  | 3,499,000  | 3,642,664  | 4,287,923  | 5,005,762  | 5,077,760  | 7,583,215  | 8,180,964  | 8,341,063  | 6,279,165  | 8,105,126  |
| UNITED STATES—Beet                 | 847,000    | 674,892    | 682,867    | 734,577    | 779,756    | 640,257    | 655,298    | 624,064    | 541,101    | 455,220    |
| CANADA—Beet                        | 20,000     | 22,300     | 11,250     | 12,500     | 17,641     | 13,979     | 10,007     | 11,144     | .....      | .....      |
| Total Beet Sugar Crops             | 4,276,000  | 4,339,856  | 4,982,040  | 5,752,839  | 5,875,157  | 8,243,451  | 8,846,269  | 8,976,271  | 6,820,266  | 8,560,346  |
| Grand Total — Cane and Beet Sugar  | 16,835,000 | 16,322,176 | 17,332,955 | 16,987,975 | 16,559,154 | 18,468,401 | 18,738,326 | 18,208,814 | 15,887,230 | 16,981,880 |



## EXHIBIT 28

## EFFECT OF THE GREAT WAR UPON THE WORLD'S SUGAR EXPORTS

The changes in the world's sugar exports for the years 1911 to 1918 for all exporting countries for which data are available, are shown in the table on pages 259 and 260. The most significant fact shown is the total annihilation of the sugar export trade of the European beet sugar countries to the advantage of the cane-producing countries and the countries possessing excess refining capacity. For example, Austria-Hungary, which in 1913 exported 1,184,000 tons of sugar, exported only 39,000 tons in 1917, and Germany which had exported 1,231,000 tons in 1913 exported but 16,000 tons in 1918. On the other hand the island of Cuba, which had exported only 2,625,000 tons in 1913, exported 3,569,000 tons in 1918, an increase of almost 1,000,000 tons. The United States, with a production of sugar equal to less than half of its requirements, and therefore with large import requirements, nevertheless was enabled to utilize its excess refining capacity to refine for European needs 788,000 tons of raw sugar in 1916 and 505,000 tons in 1917 as against 36,000 tons in 1913. After the United States entered the War and rigorous control of exports was established, only 168,000 tons were shipped to Europe.

## EXHIBIT 29

## EFFECT OF THE WAR UPON THE WORLD'S SUGAR IMPORTS

The table below gives the imports of sugar for all principal importing countries. For recent years figures are not available for all the principal countries. France before the War produced sufficient sugar for her own needs but imported 330,000 tons (mainly from her



EXPORTS OF SUGAR FROM ALL PRINCIPAL COUNTRIES OF THE WORLD †  
(Quantities in Short Tons — 000's Omitted)

| COUNTRY               | 1911       | 1912       | 1913  | 1914  | 1915  | 1916  | 1917       | 1918       |
|-----------------------|------------|------------|-------|-------|-------|-------|------------|------------|
| Argentina . . .       | .....      |            |       |       |       |       |            |            |
| Austria-Hungary . . . | 667        | 770        | 1,184 | 659   | 276   | 48    | 39         | negligible |
| Australia . . .       | 7          | 3          | 4     | 15    | 8     | 1     | 2          | *          |
| Barbados . . .        | 36         | 34         | 13    | 37    | 36    | 62    | 38         | 91         |
| Belgium . . .         | 170        | 164        | 116   | *     | *     | *     | *          | *          |
| Brazil . . .          | 39         | 5          | 5     | 35    | 65    | 59    | 145        | 127        |
| China . . .           | .....      | 34         | 18    | 18    | 25    | 23    | 27         | 26         |
| Cuba . . .            | 1,582      | 2,030      | 2,625 | 2,774 | 2,796 | 3,295 | 2,939      | 3,569      |
| Denmark . . .         | 111        | 87         | 97    | 120   | 130   | 113   | 127        | 105        |
| Dominican Rep. . .    | 6          | 52         | 51    | 52    | 20    | 3     | negligible | 6          |
| Egypt . . .           | 94         | 98         | 87    | 112   | 113   | 135   | *          | *          |
| Fiji . . .            | 12         | 10         | 6     | 15    | 29    | 32    | *          | *          |
| France . . .          | 82         | 69         | 106   | 103   | 96    | 118   | 94         | 68         |
| German Empire . . .   | 149        | 196        | 222   | 124   | 130   | 162   | 175        | 110        |
| Guadeloupe . . .      | 945        | 476        | 1,231 | 557   | *     | 44    | 12         | 16         |
| Hawaii . . .          | 41         | 42         | 20    | 44    | 38    | 38    | 34         | 30         |
| Holland . . .         | 568        | 603        | 543   | 605   | 606   | 580   | 627        | 534        |
| India . . .           | 216        | 237        | 220   | 166   | 164   | 51    | 34         | 25         |
| Italy . . .           | 22         | 40         | 27    | 22    | 17    | 14    | 26         | *          |
| Japan . . .           | negligible | negligible | 1     | 33    | 54    | 4     | negligible | negligible |
|                       | 51         | 60         | ..... | 87    | 78    | 100   | 150        | 130        |

EXPORTS OF SUGAR, ETC. — *Continued*

| COUNTRY                      | 1911       | 1912       | 1913       | 1914  | 1915  | 1916  | 1917  | 1918  |
|------------------------------|------------|------------|------------|-------|-------|-------|-------|-------|
| Java . . . .                 | 1,462      | 1,471      | 1,412      | 1,456 | 1,512 | 1,584 | 1,260 | 1,549 |
| Martinique . .               | 39         | 43         | 44         | 20    | 43    | 41    | 22    | 22    |
| Mauritius . .                | 266        | 215        | 194        | 350   | 236   | 248   | 210   | 195   |
| Peru . . . .                 | 136        | 162        | 156        | 195   | 242   | 263   | 233   | *     |
| Philippines . .              | 232        | 216        | 173        | 260   | 233   | 372   | 227   | 301   |
| Porto Rico . .               | 327        | 367        | 383        | 321   | 319   | 454   | 471   | 401   |
| Reunion . . .                | 56         | 29         | 43         | 36    | 39    | 46    | 55    | *     |
| Russia . . . .               | 500        | 415        | 162        | 141   | 103   | 259   | *     | *     |
| Spain . . . .                | negligible | negligible | negligible | 13    | 10    | 3     | 7     | 5     |
| Trinidad and<br>Tobago . . . | 42         | 37         | 37         | 54    | 57    | 64    | 70    | *     |
| United Kingdom               | 41         | 48         | 31         | 27    | 8     | 10    | 2     | 1     |
| United States .              | 21         | 42         | 36         | 209   | 481   | 788   | 505   | 168   |
| Venezuela . .                | 4          | 1          | 1          | 4     | 5     | 10    | 19    | *     |

† Compiled from official sources, trade journals, consular letters, and various private sources.

\* No accurate data available.

colonies) in 1912 and 127,000 tons in 1913. During the War she was forced to turn to other producing countries, mainly Cuba, and in the years 1915, 1916, and 1917 imported somewhat over 625,000 tons. In 1918, following more rigid rationing, only 225,000 tons were imported. The United Kingdom, which had imported 2,206,000 tons in 1913, of which over half was beet sugar from the Central Powers, was forced during the War to rely upon Cuba for raw supplies and upon the United States for refining capacity. Accordingly, following the adoption of drastic rationing regulations the imports dropped to 1,661,000 tons in 1915 and to 1,464,000 in 1918.

## IMPORTS OF SUGAR FOR ALL PRINCIPAL COUNTRIES OF THE WORLD †

(Quantities in Short Tons — 000's Omitted)

| COUNTRY             | 1911  | 1912  | 1913  | 1914  | 1915  | 1916  | 1917  | 1918       |
|---------------------|-------|-------|-------|-------|-------|-------|-------|------------|
| Argentina           | 57    | 33    | 83    | 7     | ...   | 34    | 179   | 35         |
| Australia           | 37    | 110   | 84    | 19    | 25    | 140   | 72    | 7          |
| Belgium             | 7     | 6     | 5     | 4     | 4     | 20    | 12    | 14         |
| Canada              | 282   | 289   | 335   | 352   | 341   | 367   | 384   | 359 *      |
| Chile               | 95    | 74    | 98    | 93    | 78    | 82    | 99    | negligible |
| Denmark             | 13    | 15    | 13    | 23    | 12    | 8     | 2     | *          |
| Egypt               | 50    | 39    | 36    | 14    | 23    | 8     | 12    | *          |
| Finland             | 49    | 52    | 53    | 49    | 51    | 55    | *     | *          |
| France              | 179   | 330   | 127   | 179   | 627   | 627   | 636   | 225        |
| Holland             | 101   | 88    | 73    | 112   | 19    | 9     | 1     | negligible |
| India               | 635   | 683   | 849   | 606   | 545   | 496   | 461   | 577        |
| Italy               | 10    | 8     | 8     | 5     | 3     | 83    | 56    | 28         |
| Japan               | 87    | 150   | 360   | 219   | 138   | 107   | 96    | 248        |
| New Zealand         | 62    | 68    | 69    | 54    | 71    | 30    | 35    | 34         |
| Norway              | 53    | 49    | 59    | 65    | 65    | 68    | 61    | 55         |
| Persia              | 98    | 111   | 117   | 143   | 98    | *     | *     | 53 *       |
| Portugal            | 41    | 39    | 43    | 42    | 36    | *     | *     | *          |
| South African Union | 37    | 20    | 30    | 24    | 9     | 4     | 14    | *          |
| Sweden              | 2     | 2     | 2     | 3     | 1     | 9     | 7     | 12         |
| Switzerland         | 115   | 134   | 123   | 148   | 134   | 121   | 117   | 80         |
| Straits Settlements | 67    | 117   | 115   | 80    | 86    | 112   | *     | *          |
| Turkey              | 223   | 197   | *     | *     | *     | *     | *     | *          |
| United Kingdom      | 2,126 | 1,926 | 2,206 | 2,232 | 1,661 | 1,721 | 1,553 | 1,464      |
| United States       | 2,962 | 3,128 | 3,306 | 3,635 | 3,592 | 3,799 | 3,508 | 3,489      |

† Compiled from official sources, trade journals, consular letters, and various private sources.

\* No accurate data available.

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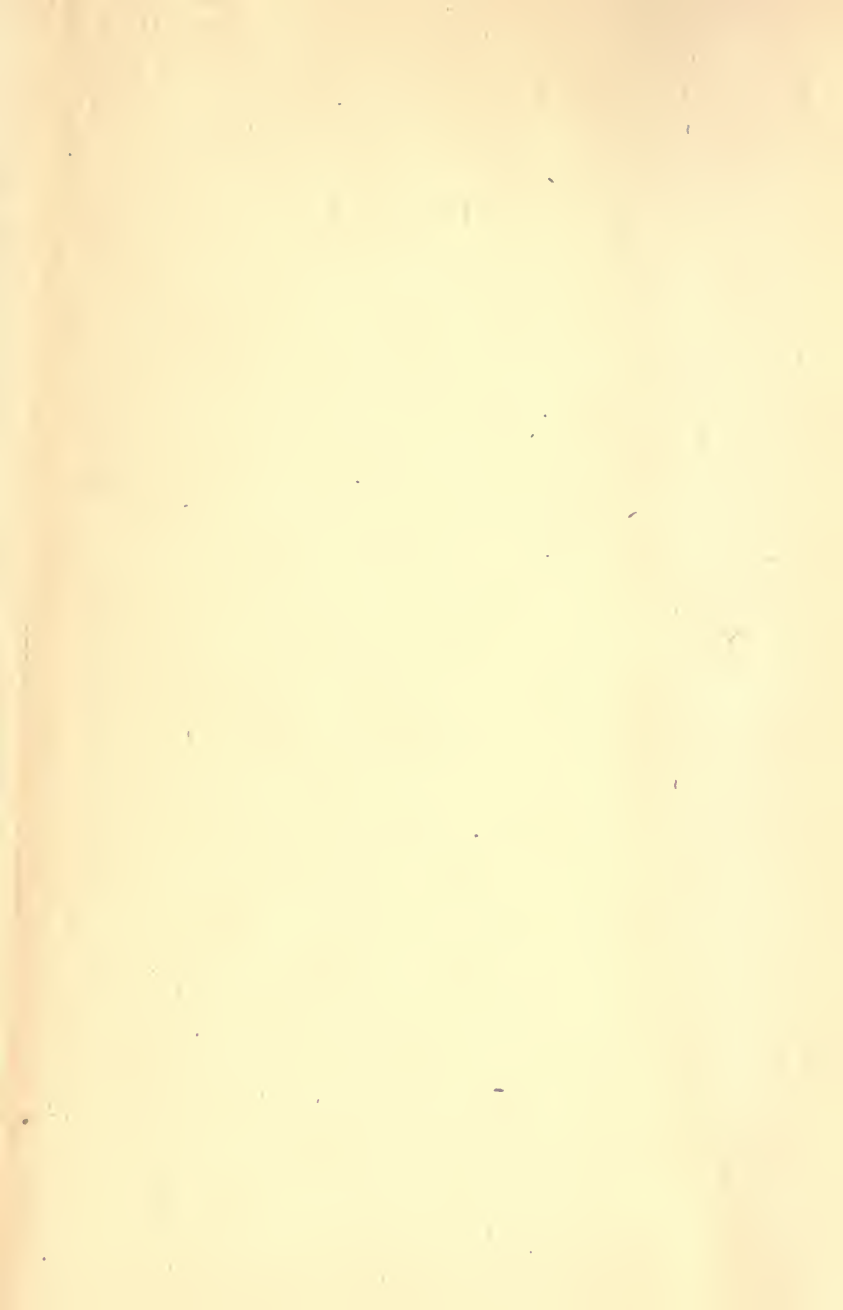
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